Arianespace Is Spurned By European Consortium

Telephone Companies Choose American Firm To Launch New Satellite

By Jacques Neher
International Herald Tribune
PARIS — Plans by Arianespace to introduce
a new generation of rocket, the Ariane 5, have been dealt a setback by the Continent's own telephone companies, which have spurned Europe's space consortium and instead entrusted the launching of a new television satellite to an old American Atlas rocket.

The estimated \$100 million order, placed Monday with the commercial launching unit of General Dynamics Corp., angered officials at the 13-member European Space Agency, which has invested \$6.6 billion to develop the Ariane 5 two-stage launcher, set for its maiden flight

The decision by the European Telecommunications Organization, which groups 39 European telephone companies, follows the failure in January of an Ariane 4 in which a Eutelsat satellite and a Turkish telecommunications satellite and a Turkish telecommunications satellite and a Turkish telecommunications. ellite, were lost at a total cost of \$356 million. The Eurelsat group received an insurance payout of 180 million European Currency Units (\$203 million) after that accident.

Vanessa O'Connor, spokeswoman for the telephone consortium, said it was "finalizing negotiations" with General Dynamics for the launching, via an Atlas 2A rocket, of a 16transponder television satellite, called Hotbird 2, in August 1996. She said the organization picked the American launcher because Ariane's launch manifest was full."

But an official at Arianespace said that while there were no slots available on Ariane 4 rock-ets in the August-October time slot required, it offered to launch the satellite on Ariane 5, which was scheduled to make its second postdevelopment flight in October 1996.

"It looks like they don't have confidence in Ariane 5," the official said, speaking on condi-non of anonymity. "It's surprising to see a European organization that essentially represents European governments deciding against a rocket that was developed and paid for by

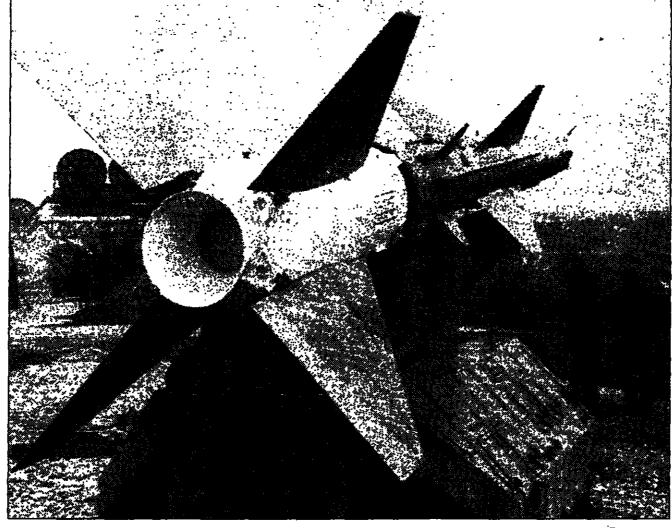
Claus Habfast, spokesman for the European Space Agency, said "we don't like the decision." adding that a European government organization should have first considered Ariane-

The Ariane 5, a two-stage rocket designed to carry manned spacecraft and heavy satellites, is being built with a "failure tolerance" - an engineering measure of reliability - of 98.5 percent. The Ariane 4, a three-stage rocket, is considered less reliable, with a tolerance of less than 95 percent. Of 35 Ariane 4 launchings, two have so far failed. Since the Ariane program began in 1979, there have been 63 launchings, of which six failed.

"On the issue of safety, the Ariane 5 is as good, if not better, than the Ariane 4, especially since three of the failures in the last 15 years have been in the third stage, and Ariane 5 doesn't have a third stage," Mr. Habfast said. Nevertheless, experts say the fact that Ariane 5 has no track record undoubtedly weighed

heavily in the decision. For General Dynamics to win the order, the Paris-based consortium was probably wooed with a low price, possibly in exchange for the American company being awarded an equity stake in the operation, said Peter Glazer, a vice president in charge of space consulting for Arthur D. Little, in Cambridge, Massachusetts.

A spokeswoman for General Dynamics' space division in San Diego would not com-



Bosnian Serbian soldiers at a SAM-2 missile site near the Serbs' northern Bosnia stronghold of Banja Luka on Monday.

Renewed Shrine, Same Old Mideast

By David Hoffman

JERUSALEM - In the shadow of the Dome of the Rock, a small clutch of televi-sion technicians huddled next to a satellite truck on Monday, beaming silent images of the lustrous gold edifice into the crystal blue

It was a singular moment for the ancient shrine, the third most holy in Islam and a signature landmark of Jerusalem, which has been given a refurbished dome covered with plated gold, financed by King Hussein of Jordan

was formally dedicated on Monday. But on the 35-acre site that includes the domed edifice from where Muslims believe the Prophet Mohammed made his Night Journey to Heaven, there were no festivities and no speeches, just throngs of tourists.

As befits the history of the contested site in Jerusalem's Old City — a place which Jews call the Temple Mount, site of the destroyed First and Second Temples and the surviving Western Wall — even the celebration over the new dome was caught up in politics and

The ceremony marking completion of the 18-month-long restoration was held in Am-

man, Jordan, where King Hussein and digni-taries saw only a television view of the dome. Hussein gave a speech standing in front of a cardboard replica of Jerusalem and the

Hussein, who sold off part of his personal fortune to underwrite the 18-month-long renovation, sought to assert his custodianship of the shrine in a quiet rivalry with King Fahd of Saudi Arabia, who is custodian of Mecca and Medina, the two holiest sites in Islam.

Hussein declared that any peace agreement with Israel would have to restore Arab sover-See ISRAEL, Page 4

Bosnian Serbs Vow Onslaught in North

Gorazde Blasted As UN General Their Conquest Fears 'Disaster'

By Chuck Sudetic New York Times Service

SARAJEVO. Bosnia-Herzegovina - Despite new cease-fire pledges, Bosnian Serbian artillery opened fire into the refugee-packed eastern Bosnian town of Gorazde again Monday as the senior United Nations general here warned of a humanitarian catastrophe and blasted the Sexbs' leadership for using his peacekeeping force as a tool of war.

[The UN secretary-general, Butros Butros Ghali, intends to ask the North Atlantic Treaty Organization for authority to request air strikes - as distinct from close air support - to protect UN "safe areas," Renters reported from noted UN "safe areas," Renters reported from
New York. Quoting diplomats, Renters said
this would require a decision by the NATO
Council, which in January authorized close air
support to help protect UN peacekeepers.]
Monday's attack on Gorazde marked the
third day running that the Serbs have promised
a cease-fire only to break it with shelling, UN
officials said.

officials said.

The Serbs on Monday afternoon gave a UN diplomat another cease-fire pledge, but aid workers in Gorazde reported heavy shelling on the town. Serbian tanks targeted the neighborhood of the main UN building, a UN military official said.

The British lieutenant general commanding UN troops in Bosnia, Sir Michael Rose, said, "It is a very sad week for the world when the United Nations peacekeeping operations have been so blatantly used to cover the prosecution of the beautiful to the contraction." of war by the Bosnian Serb authorities."

"The assurances given during this past week," he said, referring to pledges by Bosnian Serbian leaders that they would not attack Gorazde, "have been consistently and totally ignored."

"The assurances given that there would be no further attacks on Gorazde are at this very moment being ignored," General Rose said.
"There are shells falling at this moment in Gorazde. We are on the brink of a humanitarian disaster there. So in no way is our contribu-

The three-week Serbian offensive agains Gorazde has gutted the credibility of the UN operation in Bosnia as well as the peace initia-

See BOSNIA, Page 4

Aim Is to Finish Of Key Corridor

By David B. Ottaway

Washington Part Service
BELGRADE — Bosnian Serbian forces, apparently determined to complete the conquest of other territories they covet after their capture of the Muslim enclave of Gorazde, say they plan next to secure and widen the east-west corridor they hold across northern Bosnia.

In an unusually frank declaration of intent, the chief of staff of the Bosnian Serbs' forces, General Manjlo Milovanovic, said the narrow point along that corridor around Breko on the Sava River would be its next target. He asserted that allied Muslim and Croatian forces were preparing their own thrust northward toward Brcko from central Bosnia-Herzegovina.

We have decided to concentrate our forces and defend Serbian territory between Brcko and Doboj," General Milovanovic said.

In the parlance of the Bosnian Serbs, this normally heralds a new offensive. The attack on Gorazde, for example, was a "counteroffen-sive" to an offensive allegedly launched first from there by the Bosnian Army. The Serbian attack on the town was purely a "defensive" action.

For at least two weeks before the start of their March 29 attack on Gorazde, the Bosnian Serbs carried out a propaganda campaign asserting that the Muslim-led Bosnian Army was conducting a "massive offensive" against their positions including those around Gorazde.

The Bosnian Army did mount last month a number of attacks on Bosnian Serbian positions in central Bosnia around Doboj and Teslic to the southwest, according to UN military spokesmen. It was reported on Monday also to be attacking Serbian lines around Olovo. The Bosnian Army also maintains a toehold

on the outskirts of Broko where the corridor connecting Bosnian Serbian territory in northeastern and northwestern Bosnia is reduced to less than a mile. The Bosnian Serbs have said they want to widen that corridor to six to eight

Scrbian analysts and diplomats in Belgrade say the making of Bosnian Scrbian policy seems more than ever in the hands of its headstrong army commander, Ratko Mladic, 52, who has publicly pledged never to give an order to withdraw from any of the territory captured.

He also spoke at length recently about the need to "liberate" another of the Muslim enclaves in eastern Bosnia, Srbrenica. His army was on the point of overrunning it last April when the then-commander of the UN peacekeeping force, General Phillipe Morillon. forced his way through Bosnian Serbian lines to prevent its fall.

General Miadic seems determined not to be robbed again by the United Nations of a victory over the Bosnian Army at Gorazde. On Saturday, he boasted his troops would complete their takeover of the town by the end of the day even while intense diplomatic efforts were under way to arrange a cease-fire.

Then on Sunday, he ignored a plan worked out the night before before by the Russian foreign minister, Andrei V. Kozyrev, and President Slobodan Milosevic of Serbia for a partial withdrawal to allow the UN peacekeeping force to move in and establish a "safe zone."

Asked whether the Bosnian Serbian military

See POLICY, Page 4

Chinese Firms Slipping Into Private Hands

By Kevin Murphy

International Herald Tribune
HONG KONG — Quietly but quickly, China's stock market experiment is turning into a privatization program, transferring control of state companies away from Beijing faster than Chinese economic reformers had predicted or than conservatives now want.

Stock holding companies publicly traded in China and abroad are putting control of some state-owned enterprises into the hands of pri-vate-sector shareholders and Chinese institutions which themselves answer less and less directly to the state. "The genie is out of the bottle now," said

Nick Moakes, a China analyst with S. G. War-burg Securities in Hong Kong. "At the moment it is politically unacceptable to talk about pri-vatization, and China will have major problems stopping it. But five years ago corporatization, too, was unacceptable."

No Beijing official would dare call what is

happening now privatization. The term corporatization hews more closely to Beijing's ambitious game plan for economic reform, one where the state encourages a market economy and private investment but ultimately retains a pre-eminent role in orchestrating overall devel-

opment.

Cash-strapped state organs that were apportioned shares in the early days of the establishment of Chinese joint stock companies are widely reported to be selling their stakes in thriving "gray-market" transactions to the highest bidder — regardless of whether their holdings are strategic stakes which afford ulti-mate state control and in spite of flat bans against the practice.

At the same time, other government share-holders with majority stakes in companies once managed by outposts of China's vast industrial bureaucracy have been threatened with loss of control through corporate rights issues to which they cannot afford to subscribe. When, for example, in a recent cash-raising

exercise, Shandong Petrochemical offered each shareholder the right to buy 8 new shares for See CHINA, Page 4

See DOOMSDAY, Page 4

Kiosk

Federal Reserve Raises Rates in U.S.

The Federal Reserve Board raised short- rate, which now stands at 3.75 percent comterm U.S. interest rates for the third time in less than three months, acting to damp down less than three months, acting to damp down Market analysts expect the Federal Reless than three months, acting to damp down robust economic growth before it stokes in-Stock and bond prices fell, but the drop

was less dramatic than after the previous expected the federal funds rate to stand at 4.5 quarter-point increases in the federal funds percent at the end of the year.

A vineyard in Crimea trampled out the bitter grapes of "Ukrainization." Page 2. ator Mitchell has offered three alternatives to the Clinton health care bi North Korea says direct talks with States are the way to resolve dispu

Dow Jone Down 41.05 3,520.42	es	Trib Index Down 0.14% 110.79
The Dollar	Mon. close	previous close
DM	1.708	1.7145
Pound	1.4765	103.45

serve to tighten again, perhaps at its policy-making meeting on May 17. One notable Wall Street watcher, Henry Kaniman, said he

Book Review Chess	:	_	Page Page	
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Down 41.05 3,520.42		Down 0.14% 110.79
The Dollar	Mon. close	previous close
DM	1.708	1.7145
Pound	1.4765	1.472
Yen	103.20	103.45
FF	5.8465	5.8615

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ute. Page 5.	DM	1.708	1.7145
	Pound	1.4765	1.472
Page 7.	Yen	103.20	103.45
Page 7.	FF	5.8465	5.8615

In Soweto, a Generation's Anxious Hopes Party that relegated blacks to the bottom of the

By Lynn Duke

Washington Post Service SOWETO, South Africa — In the new South

Africa, Lerota L. Seleke, 18, hopes for indoor plumbing. It is a basic amenity, one that almost all white South Africans have. But apartheid placed a flush tollet beyond reach.

Mokete Litelu, 19, wants respect. "The white

people are not respecting the black people at the present moment, and after the elections they still won't respect us," he said.

It may be necessary, said Charles Ntuli, 22, for blacks to put whites in their place. He said he was not advecting white application. he was not advocating white annihilation, "maybe just several whites, hundreds of them."

to show who is in charge.

Marcia Sikakhane, 18, was not so sure the new government ought to be led by blacks. Nelson Mandela and the African National Congress, the virtually assured winners of this month's elections, do not have governing expendent the congress of the white government is experirience, she said. "A white government is experienced. At least they can correct what they've

done wrong."
But, said Gladys Cadwel, 20, "we as blacks were never given a chance to rule our land and now we are given a chance. We must use that

Miss Cadwel, like most of the rest of a sampling of 14 young Sowetans whose views were recently sounded out, supports the ANC. But with that support comes the warning of a generation: "If they do not fulfill their prom-

Newssta	nd Prices
Andorra9.00 FF Antilies11.20 FF Cameroon1.400 CFA EgyptE.P. 5000 France9.00 FF Gabon960 CFA Greece300 Dr. ivory Coast 1.120 CFA Jordan1 JD LebononUS\$ 1.50	Luxembourg 60 L. F. Morocco

ises, we are going to turn our backs on them." The views of these young people present a kaleidoscopic vision of the new South Africa ever changing, as daily developments heighten

Political leaders near accord to end Zulu boycott of elections. Page 8

the hopes, compound the fears or deepen the anger of young people filled with both promise and dread about their future.

Weaned on the culture of youth protest and boycotts that began here in 1976 with the police massacre of Hector Peterson, 13, and 15 other children demanding an end to apartheid in education, these young people are impatient to see the promises of the liberation struggle finally come to fruition.

Mr. Mandela and his party are pledging jobs, better schools, upgraded housing and health care — in effect, a phased-in reversal of the deeply entrenched state policies of the National

socioeconomic heap.

These young people are realists, and know such fundamental change will take time. But how much? And how can Mr. Mandela begin to raise living standards when he will be faced with political, perhaps even quasi-military, challenges from his opponents, as these young people predict? These are the kinds of questions that emerged last week during interviews at a Soweto youth program.

"There are some people that will expect that on the first of May there should be jobs, there should be housing," said Miss Seleke, who is taking correspondence courses in accounting. 'I don't know what we can do to avoid that situation because it is going to come. There are those who want everything right away, which is very impossible."

Mr. Ntuli, who is studying engineering, said his hopes "change every day" with his job

See BLACKS, Page 4

GERMAN NUCLEAR PROTEST — Police officers running toward demonstrators at a nuclear plant in Brokdorf who were protesting plans to send spent fuel to Britain.

\$8 Billion Survival Kit Is Scrapped by the Pentagon

By Tim Weiner New York Times Service

WASHINGTON - After spending 11 years and \$8 billion searching for ways to keep the government running after a sustained nuclear attack on Washington, the Pentagon will shelve its project as a high-tech antique of the Cold War, according to military officials familiar with the program.

The Doomsday Project, as it was known, sought to create an unbreakable chain of command for military and civilian leaders that would withstand a six-month-long nuclear war, which was regarded as a plausible length for a

"That was the requirement: six months," said

Bruce Blair, a former Strategic Air Command officer assigned to analyze nuclear war plans in the early 1980s. "And at the end we had to have a cohesive chain of command, with control over our remaining nuclear forces, that would give us leverage over the Soviets. The nuclear tensions of that era are subsid-

ing, and the project has less than six months to

'On Oct. I, it's history," a Pentagon official

Like many other Cold War programs, its details remain top secret. And from accounts given anonymously by army officers and government officials, it is clear that this secrecy itself was a major stumbling block - in some

ways as great a challenge as the technological

A Pentagon agency, the Defense Mobilization Systems Planning Activity, was given the task of making plans to give together a shattered government. But the planners found it impossible to coordinate the White House, the Pentagon, the CIA, the State Department and

so-called black programs, so highly classified that only a handful of military and civilian personnel knew of them. "That raised the bureaucratic nightmare to the nth power," Mr. Blair said. "No one knew

what anyone else was doing. It was hard to find

U.S. government plans for surviving World War III date from very early in the nuclear era. Presidents since Harry S. Truman have been briefed on the Pentagon's plans, which relied for decades on two huge shelters built in the 1950s. One was situated beneath Mount Weather in the Blue Ridge Mountains of Virginia, 50 miles northwest of Washington, the other beneath Raven Rock Mountain, 6 miles The project was an amalgam of more than 20

out even the technical characteristics of some of

at the Pennsylvania-Maryland border. In the 1980s, new nuclear war-fighting strategies that foresaw a battle lasting for months

north of Camp David, the presidential retreat

A Vineyard Reaps the Bitter Harvest of 'Ukrainization'

By Lee Hockstader Washington Past Service

MASSANDRA, Ukraine --- The blacksoil farmland of Ukraine remains among the richest in the world. But as economic collapse has spread from industry to agriculture here, it has squeezed wealth even out of land - even at the Massandra vineyard, maker of sweet wines much loved by czars and commissars alike.

From his office in a magnificent Crimean chateau perched on a cliff above the Black Sea, Massandra's general director. Nikolai Boiko, 47, struggles to produce and sell wine in a cash-strapped country with an inflation rate spiking toward 100 per-

These days people have great problems buying anything," said Mr. Boiko. "They have to decide between milk or wine there's no money for both."

To avoid a collapse of the 100-year-old vineyard, whose name is synonymous in

By Jane Perlez

New York Times Service

BUDAPEST - Just before the

mass deportation of Jews from

Hungary to death camps 50 years

ago this spring, a young Protestant minister arrived for a clandestine

meeting in a café here. He left his

battered suitcase slightly open on a

chair beside him and watched as a

courier dropped a 30-page account

The cleric, Jozsef Elias, now 80.

hurriedly arranged to have the ac-

counts of witnesses, known as the

Auschwitz Protocols, translated

and circulated among Budapest church leaders and passed to the Hungarian leader, Admiral Miklos

Horthy. There was little response.

didn't reject Nazism, they accepted

it," said Father Elias in his study,

surrounded by dozens of works on

the Holocaust, including his own.

which were banned here until re-

Horthy saving Jews is not true."

"Whatever is said now about

As ceremonies are held to remember the deportation of 600,000

Hungarian Jews within a matter of

months in 1944, efforts are being

made to use the occasion to try to

bring Hungary face-to-face with anti-Semitism then and now.

But the period of self-examina-

tion is proving difficult as a nation-

al election approaches next month

amid what many see as increasingly

Prime Minister Peter Boross laid

a wreath at the Jewish Cemetery in

Budapest on Sunday morning. But

speak at a ceremony at the Opera

This month, Mr. Boross's gov-

ernment issued a statement ex-

pressing sorrow at the loss of Jew-

ish life in 1944 but fell short of

recognizing national responsibility

for what happened in World War

II, when Hungarians fought beside

By appointing an ultrarightist

member of parliament to the offi-

cial Holocaust commemoration

committee, the government of-

Jewish Congress.

the Nazis.

loud echoes of anti-Semitism.

"The fact is most Hungarians

of Auschwitz inside.

For Hungarians,

Anti-Semitism Still

A Painful Subject

formula: Wine equals money.

keep up with inflation, Mr. Boiko this year la, fabled for peaches, apples, pears and began compensating many of his more grapes, many fear that the above producthan 5,300 employees with a "bonus" of 10 tion slump of recent years may accelerate. bottles of wine a month, which workers can With fuel and fertilizer in short supply. trade for sausage and milk.

bottles from Belarus, its corks from Portu-country with a third of the world's black

bottles of wine Massandra produces each go broke, and the inflating national curren- tion of agriculture. cy loses its value daily, hanging on by a thread has become a national pastime for and some agricultural specialists say the business managers.

Ukrainian newspapers and agricultural gerated specialists have reported that Ukraine's But I

war should be paid equal tribute.

dent Arpad Goncz, a writer who

was a political prisoner under the

Communists and who is widely

"It is our duty to look straight

"passivity of hundreds of thou-

slow down the smooth operation of

Today an estimated 80,000 to

100,000 Jews live in Hungary, the

largest Jewish population in East-

The Communists virtually

banned discussion of the treatment of the Jews by the Germans and by

the Arrow Cross, the Hungarian

Thus the accounts of Hungarian

survivors of the death camps and of

people like Mr. Flias, who tried to

save Jews in Budapest, are not well

last 40 years isolated in his house in

Debrecen, 200 kilometers miles

has any interest been shown by

gerous work in 1943 and 1944 and

only recently have awards started

Converted to Christianity from

Judaism at the age of 16, Mr. Elias

said he accepted the assignment to

organize protection of the Jews -

to appear on his walls.

Church had declined.

Mr. Elias has spent most of the

seen as a man of stature, addressed

into the face of truth," he said.

the audience Sunday.

the death machine."

fascists.

known here.

he and Foreign Minister Geza Jes-zensky declined an invitation to a German publisher. Only recently

In contrast to Mr. Boross, Presi-

the former Soviet Union with quality lack of hard currency is limiting spring cities and fields are passionate in their resistance to reforms and with economic wines, Mr. Boiko has devised a simple planting this year for vegetables, wheat and conviction that simply getting enough to disaster. sugar beets.

With little cash to pay wages, let alone In the orchards of the Crimean peninsu-

newspapers have even discussed fear of Massandra also is paying in wine for its food shortages — an astonishing worry in a Much, if not most, of the 15 million most productive agricultural economies.

The prospect of hunger summons chillyear is bartered away in this fashion, siming memories of the famine of the 1930s, ply to keep the company afloat —for now. when millions of Ukrainian peasants ularly hard hit by the collapse of the Soviet
As more and more enterprises in Ukraine starved during Stalin's forced collectivizaUnion and the Ukrainian government's

warnings of shortages this year are exag-

conviction that simply getting enough to disaster.
eat is ever more difficult. Typical wages are Privatization is hardly out of the starting \$10 to \$30 a month. People on pensions blocks, and land reform has not been serioften get less.

Many workers complain they have been partly - or entirely - unpaid for two months or more.

The many people whose wages are frozen — as Massandra's employees have been since December — are losing half of gal and its coal, oil and wood from Russia. soil and, until recently, one of the world's their buying power every 30 to 60 days as DITICES SORT.

> Crimea's economy, two-thirds of it tied to agricultural production, has been partic-Union and the Ukrainian government's So far, there is no evidence of hunger,

The government in Kiev is so steeped in corruption and communist mentality that in the former Soviet Union, the term "Ukrainization" has become synonymous with a move, warning it could lead to war. But here in Crimea, people in both the

ously discussed. It is the government's effort to sustain the inefficient, Soviet-built state firms that

has brought the inflation. Crimea once was a favorite resort area of Moscow's Communist elite, a status that made it easy for local officials to get economic help from the Soviet government. The collapse of the Soviet Union not

only cut off that largesse, but also led to customs duties and other restrictions on Crimea's exports to Russian markets. The limited access to Russia's markets,

along with the generally disastrous Ukraireluctance to enact even the most basic mian economy, has convinced Crimea's Russian-speaking majority that salvation lies in seceding from Ukraine and reuniting with Russia.

The Ukrainian government rejects such

WORLD BRIEFS

An 'Absolute Nightmare' in Rwanda NAIROBI (Reuters) — Gunmen in the Rwandan capital of Kigali

appeared Monday to have started deliberately killing wounded people in

areas they controlled, witnesses said. "It appears they are deliberately killing all casualties so none are evacuated because they know that the Red Cross would take any casualties to hospital," said a diplomat who was based in Kigali, "It is another terrible step in this absolute nightmare."

The gunnen previously dumped dead and wounded on nearby roadsides or in ditches. Frequently, unless Red Cross teams arrived first and were able to check for signs of life, the badly wounded were assumed to be dead and dumped in trucks with the corpses by clean-up crews.

Mother Seeks Clemency in Caning

SINGAPORE (Reuters) — The mother of an American teenager sentenced to be caned for vandalism arrived here on Monday night to

sentenced to be cannot for vandansin arrived here on Monday night to present a clemency petition to President Ong Teng Cheong.

"I am carrying the petition signed by thousands," Randy Chan, the mother of Michael P. Fay, 18, said at the airport as she flew in from the

A Singapore court last month sentenced Mr. Fay to six strokes with a rattan cane, four months in jail and a fine of \$2,000 for spray-painting cars and other offenses. He pleaded guilty to the charges.

Three From UN Killed in Somalia

MOGADISHU, Somalia (AP) — Two UN peacekeepers and a UN refugee official were killed in two separate incidents Monday in Somalia. The United Nations also reported that \$3.9 million had been stolen from its Mogadishu headquarters.

The soldiers, both Nepali, were killed in crossive between militias of two clans that had been fighting here since Saturday, said a UN spokesman, Major Chris Budge. In the southern town of Afmadu, Alhaji Sanneh, 54, of Gambia, head of the town's mission of the UN High Commissioner for Refugees, was killed when militiamen shot at his plane as it touched down on the airstrip.

Meanwhile, Tom White, chief of technical services for the Somali UN mission, said the \$3.9 million was taken from a safe in a heavily guarded area, apparently before dawn Sunday. An investigation was under way

Life Sentence Demanded for Touvier

VERSAILLES, France (Reuters) — The prosecution asked a jury on Monday to sentence Paul Touvier, a former Vichy militiaman, to life imprisonment for crimes against humanity over the murder of Jews in Nazi-occupied France.

Hubert Touzalin, the prosecutor, told the court that Touvier, 79, accused of having seven Jews shot while he was intelligence chief of the Lyon militia during World War II, deserved the maximum penalty since there were no mitigating circumstances

"I am convinced that Touvier knew of the Nazis' anti-Jewish policy and his act fitted perfectly into the framework of the Nazis' anti-Semitic plan," Mr. Touzalin said, "I ask the court to pronounce a sentence of life imprisonment." The verdict is due late on Tuesday after the defense rests

NATO Aide Expects Russian Accord

procre. Cai.

BRUSSELS (Reuters) — A senior NATO official expressed confidence on Monday that Russia would soon sign a Partnership for Peace deal despite its anger over air strikes early last week on Bosnian Serbian forces attacking Gorazde. He said the Russians were determined to sign because "they do not want to be left out."

In Moscow, a senior Russian legislator said the country's leadership was divided over the issue, but he urged President Boris N. Yeltsin to sign the deal on military cooperation offered by the Atlantic alliance. Sergei Yushenkov, who heads the defense committee of the State Duma, said

failure to sign "could send the world back to the Cold War."

Neutral Finland decided on Monday to join the Partnership for Peace program. Its participation would be restricted to peacekeeping and search, rescue and humanitarian operations as well as to environmental protection, Foreign Minister Heikki Haavisto said.



PREFLIGHT CHECK — A Ukrainian paratrooper applying lipstick before she boarded a plane bound for UN duty in Bosnia.

Bank Scandal Rattles González Regime

New York Times Service

MADRID - Allegations of tax fraud and financial misconduct against the former head of Spain's central bank have thrown the minorty government of Prime Minister Felipe González into disarray.

Although no formal charges have been filed, the affair is viewed as potentially the most damaging of many corruption scandals involving Mr. González's government and his Socialist Party since he took office in 1982. It has led the opposition to call for early elections.

The case involves Mariano Rubio, who as governor of the Bank of Spain from 1984 to 1992 played a central role in defining the country's economic policies.

Documents published by a Madrid newspaper this month suggested that he had kept a secret investment portfolio and failed to pay taxes on huge profits.

putting children in safe houses, organizing food, duping the military into selling him 1,000 pairs of boots The case is all the more embarrassing because Mr. González vouched for Mr. Rubio's honesty when the banker was accused of profor the poor — knowing that four other pastors from his Reformed viding privileged economic information to a small investment bank that collapsed in 1992. A

Argentina + Austria (CC) • Bahamas (CC)

few months later, Mr. Rubio left the Bank of

Manuel Fraga Iribame, the head of the re-gional government in Galicia and a powerful conservative voice, has called for new general On Friday, Mr. González publicly denied

lation, he said he would assume "political responsibility" when all the facts were known and added that they would be "very soon." Although Mr. González was returned for a

any plans to resign. But leaving room for specu-

fourth term as prime minister in June, he is more vulnerable than before, because the Socialists failed to win a majority in parliament and now depend on the Catalan nationalist party, Convergence and Union, to stay in of-

The Catalan party's leader, Jordi Pujol, has conditioned his continuing support on "swift and sure" action against "the cancer of corrup-

How Mr. González addresses the problem in his state of the union address on Tuesday may

determine whether Mr. Pujol decides to bring down the government. The case broke two weeks ago when the

opposition daily, El Mundo, reproduced on its front page copies of statements from Mr. Rubio's secret bank accounts and speculative equity portfolios. The public prosecutor, the tax office, the stock exchange and a parliamentary commission immediately opened investiga-

On Friday, the 62-year-old white-haired

banker, whose signature still appears next to

that of King Juan Carlos I on some Spanish bank notes, made his first comments in an appearance before parliament's economy and Mr. Rubio did little to address the charges

that he had evaded taxes on almost \$1 million of income on secret investments, prompting. even Socialist legislators to turn angrily against

"I have no idea how these purchases could have happened," Mr. Rubio told the committee. "I am not aware of having a secret account. I am not aware of having committed tax fraud."

TRAVEL UPDATE

Northwest Cuts Fares by Up to 40% EAGAN, Minnesota (AP) - Northwest Airlines is slashing summer

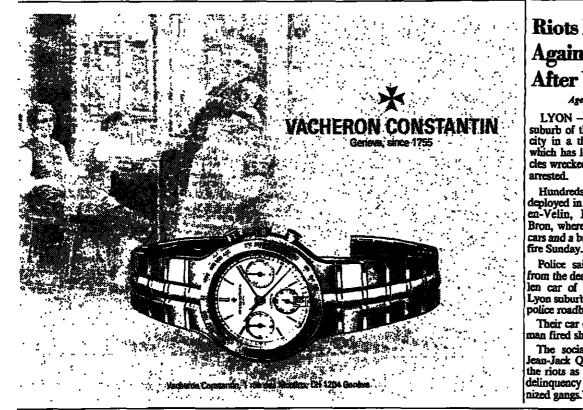
vacation fares by up to 40 percent, the carrier said. The fares are good for travel between May 18 and Sept. 12 in all states. except Alaska, and in Canada, Cancim, Mexico, and the Caribbean, excluding San Juan, Puerto Rico. The nonrefundable tickets will go on sale Monday and must be bought by midnight April 27. They also mus be bought at least 30 days before travel and most destinations require a Saturday night stay

A spokesman for TWA said it would match the fares in competitive

Sri Lankan hotels are tightening security to protect tourists after recent hotel bombings in Colombo and threats by Tamil rebels to kill tourists,

The police evacuated the Brussels central railroad station for almost an hour Monday after receiving a bomb threat from a caller claiming to represent a Palestinian group, the national news agency, Belga, reported.

The station reopened after a search found nothing suspicious. It was the third such alert this year.



Riots Break Out **Again in Lyon** After Youths Die

Agence France-Pres

LYON - Riots broke out in a aburb of this east central French city in a third night of violence, which has left buildings and vehicles wrecked and seen nine people

Hundreds of police officers were deployed in the suburbs of Vaulxen-Velin, Rillieux-la-Pape and Bron, where fire fighters said two cars and a building had been set on

Police said the rioting sprang from the deaths Thursday in a stolen car of two youths from the Lyon suburbs as they tried to run a police roadblock. Their car crashed after a police-

man fired shots at it. The socialist mayor of Lyon, Jean-Jack Queyranne, condemned the riots as "premeditated acts of delinquency carried out by orga-

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Berlusconi Readies Cabinet Agence France-Presse
ROME — Members of the threeparty coalition that dominated the

March general elections are scheduled to meet Wednesday to discuss likely candidates to the top posts in

a cabinet expected to be headed by Silvio Berlusconi Officials said the process of forming a new government should be completed within two weeks.

Media reports here are touting members of Mr. Berlusconi's Forza Italia party as likely to take the

prominent jobs, with Cesare Preiti, a close aide to Mr. Berlusconi, set to become justice minister, and the economist Antonio Martino poised to win the foreign portfolio. As for Mr. Berlusconi, now that his handpicked candidates are in

the key speaker's posts in both houses of Parliament, he appears confident that President Oscar Luigi Scalfaro will name him prime ster, perhaps by the end of the

"I am waiting for President Scalfaro to put me in charge of the

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as he celebrated his Milan AC soccer team's third national victory.

Comparing government to sports, he pledged his cabinet would be made up of a team that would apply the same philosophy that led his soccer team to victory.

That philosophy, he said, involved "perseverance, sacrifice, 125 Held in Mafia Sweep work and respect for one's oppo-

Mr. Scalfaro, meanwhile, was waiting for both houses of Parliament to meet Wednesday to form the various political groups. The groups would then submit to the president the names of their candi-

dates for senior posts. The rightist Freedom Alliance links Forza Italia, the federalist Northern League and the neofas-

cist National Alliance. The new Parliament on Saturday elected two alliance candidates as speakers for the upper and lower houses after Mr. Berlusconi threatened to force a new legislative elec-

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which his party is the largest entity, failed to have its candidates elected

to head the two houses. After fractious bargaining, the Chamber of Deputies elected the Northern League candidate, Irene Pivetti, 31, as its speaker while the Senate voted for Carlo Scognamiglio, 49, of Forza Italia.

The police struck a major blow at

Malia penetration of northern Italy, arresting 125 people on Monday in a vast sweep of the Milan area, The Associated Press reported. Arrests were also carried out in

Sicily and the southern Puglia region, but the operation was centered in Milan, officials said. They said more than 1,000 policemen took part and made 125 arrests, 110 of them in the Milan area. Charges included criminal association, drug and arms trafficking.

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Among those arrested, according to the Italian news agency ANSA, was the wife of Biagio Crisafulli, an alleged drug trafficking boss who tion if the Freedom Alliance, in escaped a sweep a few months ago. German embassy until March 15.

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German Agent **And Wife Slain** On Libyan Trip

BONN — A senior German counterterrorism officer and his wife have been murdered in Libya. a spokesman for Germany's antiextremist intelligence agency said on Monday.

The spokesman said Silvian Becker, section head in the international terrorism department of the Office for the Protection of the Constitution, died in a Tripoli military hospital on April 9, several days after his wife died.

Libya is off-limits for personnel from the German domestic agency. The spokesman said, "We ass he was on a trip and that he and his wife were attacked by criminals." German radio said Mr. Becker,

54, a Middle East expert, entered Libya with his wife from Tunisia on March 8 in a Land Rover and was attacked two days later. The Libyans did not inform the

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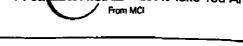
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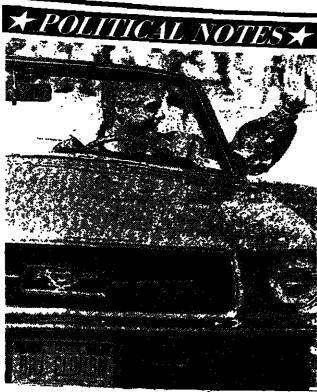
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BACK AT THE WHEEL - Bill Clinton driving his 1967 Ford Mustang in Charlotte, North Carolina, as part of the model's 30th anniversary celebration. Mr. Clinton's car is on display at a museum in Arkansas until his presidency ends.

A Breather for Smokers on Legal Front

WASHINGTON — The momentum is building, no doubt about

it. But the time does not seem to be ripe this year for new U.S. laws or regulations that would sharply curtail the use of tobacco.

Politicians are moving slowly for many reasons, but the main one may be that no one is sure exactly what to do to stop people from smoking. Outlawing cigarettes seems to be out of the question. It raises the prospect of the corruption and gangsterism that prevailed during Prohibition.

"I think we have enough experience with alcohol," said Representative Mike Synar, Democrat of Oklahoma, who is a leader in the

anti-smoking drive in the House. "Alcohol didn't work, because of the black market," Mr. Synar

For Gore, California a Virtual 2d Home

LOS ANGELES - It is well established that the White House is determined to stroke California voters as often and as vigorously as possible to win their allegiance in the 1996 election.

But in the latest effort to plant the Bill Clinton flag in the richest electoral soil of any state with its 54 electoral votes, Vice President Al Gore stands out. After Governor Pete Wilson, a Republican, reopened the earthquake-damaged Santa Monica Freeway last week without first alerting the White House, Mr. Gore hurriedly flew here to credit President Clinton for making U.S. money available to

repair the expressway.

Returning to Washington with barely a break, Mr. Gore flew to Morocco to address a committee of the General Agreement on Trade and Tariffs. And then he flew back to Los Angeles to lead a rally of Democratic volunteers on Friday night and to be the featured speaker at the Democratic Party's state convention on Saturday.

"If I make any more visits out here," Mr. Gore told the delegates, megoing to become a citizen of the state."

(NYT) "I'm going to become a citizen of the state."

Quote/Unquote

The comedian David Letterman on Hillary Rodham Clinton's visit to Wrigley Field in Chicago to throw out the first ball: "At one point during the game, she was getting a hot dog and a Coke. She passed a \$20 bill down the row to the vendor. She got back \$500."

Taking Charge, Mitchell Offers Health Plan Alternatives

By Adam Clymer New York Times Service
WASHINGTON --- With White House

help, Senator George J. Mitchell of Maine is offering Democratic senators three cheaper modifications of President Bill Clinton's health care legislation as he seeks to move them toward making choices.

Each of the variations, like Mr. Clinton's proposal, seeks to guarantee all Americans health insurance that can never be canceled and to require employers to pay some of the cost of their workers' insurance. But each alternative would cost less than

Mr. Clinton's plan, thereby making broad reform easier to pass. The cuts would result from some combination of reducing what employers would pay, decreasing what the government would pay, limiting what benefits would be

provided or increasing what individuals would pay. The president joined the Democratic senators at a meeting during the weekend and urged them to move forward and to resist appeals to take only easy steps like

Paul E. Simon of Illinois.

Senator Jim Sasser of Tennessee said Monday, "The whole problem is so complex, people are still trying to educate themselves and get some questions an-

Senator Thomas A. Daschle of South Dakota said "no commitments were made" on the shape of health care reform during the retreat, attended by 45 of the 56 Democratic senators.

Mr. Mitchell, the Senate majority leader

who spurned a Supreme Court nomination last week so he could concentrate on passing health care legislation, dominated the meeting and made it clear that he was taking charge of the issue, several senators

Mr. Mitchell said in an interview that no effort had been made to reach agreement at the weekend sessions, held near Williamsburg, Virginia. "There was no discussion of ng, except that we intend to get it done this year," he said.

The president did not discuss the substance of the Mitchell alternatives. But Mr. Mitchell's apparent preference was a plan

health care would help the party in the November election, according to Senator Clinton proposed to help small businesses meet the requirements would be calculat-

> This plan would not base the subsidies on total payrolls, as Mr. Clinton wanted, but on each worker's wage. That would mean a company could get a subsidy for each of its low-paid employees.
>
> Mr. Mitchell told the senators this plan would distribute subsidies more fairly, rechiral to the senators that the senators is plan would distribute subsidies more fairly,

reaching big companies with many lowwage workers and not wasting subsidies on small companies with well-paid employees. He said it would cost the government about \$50 billion less by the end of the

But the alternative that differed the most from the White House plan was one in which employers would only pay 50 percent of the cost of the average premiums charged to their workers, instead of the 80 s3,000 for families in Mr. Clinton's propercent proposed by Mr. Clinton. That plan would also reduce the value of the mula. benefits package guaranteed by the measure by 5 percent and let employers of 1,000 or more workers, rather than Mr. Clinton's 5,000, manage their own workers'

subsidies on individual wages rather than total payroll wages. And it allows companies of any size to get subsidies, as his first plan did. But it would also reduce the benefit package by 5 percent.

Two of the Mitchell variations would

reduce the total benefits either by increasthe annual limit on how much a family could be required to pay in out-of-pocket costs from the \$1,500 for individuals and \$3,000 for families in Mr. Clinton's pro-

only in a subcommittee of the House Ways Office concluded in February that the adand Means Committee. The panel chose ministration's plan would add \$74 billion the route of expanding government-paid to the deficit by the year 2000, not reduce it health care through a new form of Medi-by \$59 billion as Mr. Clinton contended.

Mr. Mitchell said this approach, when compared with Mr. Clinton's, would reduce the average employer premium for each family by about 16 percent and cut the cost to the federal government between \$150 billion and \$165 billion by the end of the century.

Mr. Mitchell's third alternative was a variation of his first. It bases employer subsidies on individual wages rather than total payoral wages. And it allows compared to taking Mr. Clinton's approach of guaranteeing everyone private health insurance. The full House Ways and Means Committee and the Energy and Commerce Committee are likely to take up the issue next. Their chairmen are continually meeting with uncertain Democrats, trying to find packages that could commerce in individual wages rather than the cost of the federal government between \$150 billion and \$165 billion by the end of the cost to the federal government between \$150 billion and \$165 billion by the end of the cost to the federal government between \$150 billion and \$165 billion by the end of the cost to the federal government between \$150 billion and \$165 billion by the end of the cost to the federal government between \$150 billion and \$165 billion by the end of the contury.

Mr. Mitchell's third alternative was a variation of his first. It bases employer subsidies on individual wages rather the federal proposed for guaranteeing everyone private health insurance. The full House Ways and Means Committee and the Energy and Commerce Committee are likely to take up the issue next. Their chairmen are continually meeting with uncertain Democrats, trying to find packages that could committee and the Energy and Commerce Committee are likely to take up the issue next. Their chairmen are continually meeting with uncertain Democrats, trying to find packages that could commit the control of the server of the server

New York, chairman of the Senate Finance Committee, said on Sunday that his committee would start "informal discussions in the back room" on Tuesday about what to include in its bill. He had come under some reduce the total benefits either by increas-ing the co-payment required when individ-uals use medical services or by increasing mid-June. The Senate Labor and Human

osal. He did not choose a particular for-Mitchell have been discussed in general So far, health care has come to a vote

Mexican Candidate Wants to Open Up the System

By Tim Golden New York Times Service

MEXICO CITY - The new presidential candidate of Mexico's for any measures to increase eleclong-governing party says further democratization of the political system is essential to economic and social progress.

"I do not believe the country can advance significantly in the economic or social areas if we do not strengthen our democracy," the tan.
front-running candidate, Ernesto
Zedillo Ponce de León, said in an begar interview. "People are demanding more democracy."

party's candidacy after the assassination last month of Luis Donaldo Colosio, did not express support toral fairness beyond those being negotiated among the main politi-cal parties. But his remarks appeared to signal an important de- ed what more and more officials parture from the thinking that has have come to believe as the peasant pervaded the administration of rebellion in the southern state of President Carlos Salinas de Gor-

Throughout the six-year term he began in December 1988, Mr. Salinas has been wary of changes to

have helped to keep his party in power for 65 years. He has tended to view such measures as potentially hazardous steps that have to be taken carefully lest they threaten political and economic stability.

By contrast, Mr. Zedillo suggestrebellion in the southern state of Chiapas has crystallized calls for reform: that stability will be impossible without convincing, funda-

Even more directly than Mr. Coopen up the political system and losio, Mr. Zedillo also acknowl-reduce the huge advantages that edged that winning the most votes

tionary Party will face in the election on Aug. 21. "We also have to win legitima-

the 42-year-old economist said, referring to the expectation of many Mexicans that this presidential contest, like nearly all of those before it, will be marred by fraud by the governing party.

The comments by Mr. Zedillo are particularly striking because of the closed nature of presidential succession within the party.

was only part of the challenge that the governing Institutional Revolu-the governing Institutional Revolu-political beliefs from public view. Because the candidate is chosen by the president rather than by a party caucus or primary vote, the aspirants must show loyalty to the incumbent and avoid discussing problems or policies outside their areas of responsibility.

Among the officials who were considered strong contenders for the prize that Mr. Colosio eventually won, Mr. Zedillo -- who served as secretary of the budget and of education before leaving the cabi-net to manage his predecessor's By its unwritten rules, senior of-campaign — was probably also the ficials who aspire to the nomina-one whose views were least known.

Court to Ponder Plea Bargaining

The Associated Press WASHINGTON - The Supreme Court on Monday agreed to decide whether statements made by defendants during failed plea bargains with federal prosecutors may ever be used as trial evidence against them.

The court said it will use a California drug case to resolve what Clinton administration lawyers call "an issue of substantial importance to the federal criminal justice system." Federal rules generally bar the use of such statements.

But another federal appeals court has said such waivers can be

Away From Politics

collected three-dimensional images of the North Sea released. and the snow-capped Himalayas as the Earth-watch
o A striking Teamster was charged with attempted
ing mission drew near a close. The shuttle and six
murder in the beating of an independent trucker who
astronauts are set to touch down just before noon crossed a picket line. Glenn Yeatts, 55, was beaten study the global environment. Weather forecasts are in Pico Rivera, southeast of Los Angeles.

passengers from coming ashore. Authorities found 10 curtail service at most state and county offices and women, 101 men and 10 crewmen aboard the Jin Yinn health and dental clinics. Police and fire service and No. I when they boarded it in international waters off most public schooling will not be affected.

• Radar instruments aboard the space shuttle Endeavor minor injuries at Western Medical Center and

(1600 GMT) Tuesday, ending the 10-day mission to unconscious at the Arkansas Best Freight System yard favorable for a landing at Cape Canaveral, Florida. • More than 13,000 Hawaiian state and county work-

• A Taiwanese fishing boat carrying 111 suspected ers went on strike after rejecting a contract offer that illegal Chinese immigrants was seized and taken away would have given them a 4 percent pay raise over two from U.S. waters by the Coast Guard to prevent its

San Diego, the Coast Guard said.

• A man who dropped sexual-abuse charges against
• A Disneyland visitor fell through a door on a Skyway

Cardinal Joseph Bernardin of Chicago has reached an gondola and landed 20 feet below in a tree at the Alice out-of-court settlement in his lawsuit involving anothin Wonderland ride. The victim was a 30-year-old man er priest and Cincinnati's archdiocese, the church said. from Highland, California, said Lindsay Schnebly, a Stephen Cook, 34, a former seminary student, will be spokesman for the Anaheim park. The park, in Ana- paid an undisclosed sum to settle the \$10 million



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U.S. Renews Call for **Diplomacy** In Bosnia

By Paul F. Horvitz ational Herald Tribune WASHINGTON - Groping

anew for a strategy to end the fight-ing in Bosnia, President Bill Clinton blamed the Serbs on Monday for the "grim and uncertain" situa-tion in Gorazde but stressed that Washington favored diplomacy over any allied military retaliation.

U.S. officials gathered for an urgent meeting of the National Securi-Council, spoke critically of the Serbian advance on the UN "safe area" of Gorazde and gave every indication that Washington opposed any military option that would require a larger commitment.

Mr. Clinton spoke by telephone to the German chancellor, Helmut Kohl, and both leaders "reaffirmed their commitment to a negotiated settlement," a White House

The tone of the public comments by Mr. Clinton and his aides suggested that they were still deeply frustrated by events in Bosnia but unwilling to risk a further escalation of the fighting by pursuing aggressive actions against Bosnian Serbs.

"I don't want to have a wider war." the president said.

Mr. Clinton also played down any prospect for unilateral action Washington, such as moving to lift the UN arms embargo for the embattled Muslims. This action would be of questionable legality. he said, and would undermine current and future UN embargoes elsewhere in the world.

The president, noting past diplo-matic successes for the Western allies in Sarajevo and recent agreements between Bosnia and Croatia, expressed optimism about the long-term diplomatic effort to end the Bosnian civil war.

Secretary of State Warren M. Christopher, although harshly criticizing the Bosnian Serbs, offered no indication that any new U.S. approach was imminent.

In a speech to an education group, he said the Serbs had repeatedly lied about their intentions. misled negotiators and engaged in "flagrant aggression and inhumane actions." He said U.S. officials were "urgently reviewing our options for an appropriate response to the situation in Gorazde and in

Before flying to Milwaukee for a speech on health care, Mr. Clinton said the situation in Gorazde "remains grim and uncertain."



Bosnian Serbs returning from frontline duty near Gorazde. UN aides reported small-arms duels Monday on the fringes of the city.

BOSNIA: UN Commander Warns of Humanitarian Disaster in Enclave

tive of the United States and Russia, diplomats and UN officials in Sarajevo said. The UN Security Council declared Gorazde "safe area" last year after an identical Serbian offensive against the nearby Muslim enclave of

Secretary-General Butros Butros Ghali warned two weeks ago that the Gorazde "safe area," and the 65,000 people trapped in it. might be protected by air strikes if the Serbs did not withdraw to the positions they held on

March 30, the day the offensive began. North Atlantic Treaty Organization fighters performed two limited air attacks last week, but they were carried out under a Security Council resolution calling for protection of UN personnel, not the "safe area," and did little more than

delay for three days the Serbian onslaught. Reports by UN relief workers said Serbian shells were ripping into Gorazde at a rate of one every 20 seconds Monday morning, but the artillery fire tapered off to one every two minutes by the afternoon. Fierce clashes between

the Bosnian Army and Serbian forces were being waged on the edge of the town, a UN military official said.

"After a break between 10 and 10:30, shelling of the city center started again, with hits reported on the police station, courthouse, and 'Panorama' refugee center," said reports filed this afternoon by a UN refugee relief worker in the town. "These are all located 50- to 100meters from the hospital."

According to an incomplete casualty tally, the Serbian offensive has killed 302 persons, including 37 people in the attacks on Sunday alone, the refugee-relief worker's report said. The death toll includes 41 children and 105 women and elderly people. On Sunday alone, 5 children and 23 elderly people or women were

As of this morning, the offensive had left 1,075 people wounded, including 73 wounded on Sunday. Well over 30,000 people, almost half of the entire population of the Gorazde pocket, have been rendered homeless, some for the second and third time during the war.

Analysts in Sarajevo said the Serbs were not

likely to carry out a full assault on the town of Gorazde itself, fearing that it would lead to a bloodbath that could prompt armed intervention by the international community.

Rather, they say, the Serbs will maintain their choke hold around the Gorazde pocket, as they have around Srebrenica and Zepa, in an effort to render the area so economically unviable that the Muslims choose to leave of their own accord once a peace plan is eventually

The Serbian shelling, they say, is partially in response to fading Muslim resistance, partly reance-driven and partly an effort to terrorize the Muslim population so it will plead to be

A Western diplomat said the Serbs' attack on Gorazde had scuttled a U.S. peace initiative in

"It is very difficult to conceive of a peace process now," the diplomat said. "The actions of the Serbs over the last week have been directed toward making war. I don't see how you can talk peace."

POLICY: Bosnian Serbian Military Heralds a New Offensive in North

Continued from Page 1

would accept their plan, Mr. Milosevic replied, "I believe there is no serious politician within the Bosnian Serbs who is not for peace." The plan was "the only pragmatic way" to resolve the crisis over

Despite entreaties from various, United Nations, European and

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Gorazde, he said.

to diplomatic sources.

Some believe he may even have given his formal blessings to General Mladic's offensive against Gorazde. They also note that he held numerous meetings with lead-ers of the Bosnian Serbs, including General Mladic, prior to the final assault by Bosnian Serbs on the

has so far taken no visible action to from Serbia's border and is close to his own personal battlefield acrein in General Mladic, according its Muslim-populated Sandjak re- counts with the UN protection gion that constitutes a center of opposition to Mr. Milosevic's gov-

> "I think Milosevic was in on this whole thing," said a diplomat. "There is no split between him and Mladic over this offensive."

But other diplomatic and Serbian analysts believe that General Russian envoys visiting Belgrade city on Saturday.

Mladic is largely beyond Mr. Milover the past week, Mr. Milosevic Gorazde lies only a few miles sevic's control and bent on settling

force and particularly its current commander in Bosnia, Sir Michael

in any case, the fall of Gorazde would constitute the fulfillment of one of the Bosnian Serbs' main long-term war objectives: linking the territories they hold in eastern Bosnia to those in the south and southwest of the country.

General Mladic, whose daughter committed suicide in Belgrade on March 24, has reportedly been brooding lately over a series of military and political reverses dealt to his army partly by a more assertive UN force that since mid-February has also had the backing of NATO air power.

In July, his forces stormed and to withdraw immediately under UN pressure.

In mid-February, General Mladic's army was obliged to pull back said. its heavy weapons from around Sarajevo under the threat of NATO air strikes. Then in March, UN peacekeepers forced it had to lift its siege of the Muslim enclave of Maglaj in north-central Bosnia.

Bosnia Protests Over UN Leader

Agence France-Presse

UNITED NATIONS, New York — The Bosnian president, Alija Izetbegovic, has demanded that Butros Butros Ghali step down as UN secretary-general if the em-battled Muslim enclave of Gorazde falls to the Bosnian Serbs.

Vice President Ejup Ganic, who was visiting UN headquarters in New York, said that Mr. Izetbego-vic had written to Mr. Butros Ghali on Sunday. Mr. Ganic said that Mr. Butros

Ghali had failed to take quick action to prevent the capture of the UN-designated "safe area."

them. But instead of listening to Russian advice, Mr. Churkin said, the Serbs "are using Russian politics as a shield."

said had "fallen ill with the mad-"The time for talks has passed," The envoy, Vitali I. Churkin. said Mr. Churkin, who is a deputy foreign minister. "The Bosnian said Russia should not allow such Serbs have to understand that in extremists "to use the policy of Russia they are dealing with a great Great Russia to cover their activistate, not a banana republic.

ties." Russia is a traditional sup-Mr. Churkin also said that Rusporter of the Serbs in Yugoslavia. sia could no longer support lifting After claiming influence over the the international sanctions now. Serbian fighters, Russia has failed The Serbs showed no readiness in recent days to restrain them or sincere desire to negotiate about from attacking the United Nations anything," he said.

safe area of Goradze. But Russian officials also re-Mr. Churkin, in a significant newed their criticism of NATO shift, said Russia should stop

policy, saying the U.S. bombard-ment of Serb positions last week speaking for or with the Bosnian Scrbs. Russia, he said, had agreed was largely to blame for the current to help the Serbs because they had inflammation of tensions. believed all the world was against

Foreign Minister Andrei V. Ko. zyrev, who also failed to broker a cease-fire during a visit to the region Sunday, said the current threat to UN peacekeepers is "not a reason for NATO bombing, but a

consequence of it." The government here seemed torn between a desire to support the Serbs, who have considerable backing among nationalist politicians in the parliament, and anger at the Serbs' intransigence.

Sounding angry and distressed after the breakdown of his latest mediation efforts, Mr. Churkm called the situation "illogical and inexplicable."

CHINA: The Pace of Privatization CAMP:

Continued from Page 1

every 10 they held and only the state among major shareholders de-murred, People's Republic of China Inc. saw its stake shrink from a controlling 51.2 percent to 38 per-

By Fred Hiatt Washington Past Service MOSCOW — Russia's envoy to

the former Yugoslavia, returning

here after the failure of his latest

peace efforts, on Monday attacked

Bosnian Serb "extremists" who he

ness of war."

"The Chinese government is determined not to see its stake in these companies dwindle to nothing," said Brian Power, managing director of China Securities Research Center Ltd. in a Hong Kong newspaper column highlighting such maneuvers. "Though hanging onto its stake means taking shareholders through many twists and turns.'

In Zhongvuan Machinery & Steel Tube Company's rights issue, the state lacked the 19 million yuan (\$2.2 million) needed to buy its allotment of shares in the new rights issue. Instead of paying in cash, the Ningbo Municipal Mone-tary Taxation Bureau, which held the state shares, gave Zhongyuan 19 million shares it also owned in Ningbo Hulian, a company listed

on the Shanghai exchange. Now, Zhongyuan Machinery is Hulian's largest shareholder and another example of a clear test of how far Beijing is willing to let

Beijing's development of a market economy and stock markets has created an expanding list of Chinese equities since Shanghai's market reopened in December 1990 and Shenzhen's market started seven months later without Beijing's approval.

There are A shares, yuan-denominated securities owned and traded only by Chinese domestic investors. Then came B shares, Chinese equities available to foreigners only but traded in Shanghai or Shenzhen and in U.S. or Hong

The newest innovation comes in the form of H shares, securities held in Chinese state-controlled companies listed in Hong Kong. Nine companies came in the first

Another 22 major companies have been given clearance to begin extensive efforts to conform to international standards for accounting and disclosure.

But lurking unresolved in the regulatory background is the future legal person shares, those A shares held by Chinese government entities and state-controlled industries which were designed to help keep corporate control in state

"This is one of the toughest decisions to be made, and a main reason the new national securities law is still to waiting to be approved by the Standing Committee of the National People's Congress," said Nicholas Howson, a lawyer with Paul Weiss Rifkind's Beijing office, referring to China's senior legislative body and the prickly ideological choices which confronts it in new legislation.

"In addition, China is working to finalize regulations for companies that want to list directly on overseas exchanges, but it still faces a number of complex issues with broad political and practical trading ramifications at home, including the legal shares dilemma." said

Regulators estimate that up to 3,000 Chinese companies have issued legal person shares, often to each other, which has resulted in tangled cross-ownership webs with parallels to Japan's keiretsu system, in which cross-share holdings between companies have cemented

Continued from Page 1 prospects. He has been looking for work and has had 22 interviews, he said. But with the economy weak and financial markets jittery. "there is very little hope of getting a

Black unemployment in South Africa ranges from 25 percent to 50 percent, depending on the region.

Because the skills gap between blacks and whites is so large, and of the skills gap between the skills gap between blacks and whites is so large. because slightly more than half of the nation's blacks live in rural areas, black personal income often is less than one-fifth that of whites, and in some places far lower.

Livingston Sibilekwana, who works with Mr. Ntuli and other youths at the National Institute for Crime Prevention and Rehabilitation of Offenders here, said the ANC was flirting with danger.

"At the stage that we are, it is very dangerous to make promises and then find out that you can't fulfill them," he said. "People's expectations have been raised too

Mr. Ntuli predicts that "after a period of three years, if those things are not delivered, people will go to the far left, to Black Consciousness," a movement that rejected the electoral negotiating process and whose small number of adherents advocates armed struggle. While Mr. Ntuli's may be an

extreme projection, it is certain that youthful protests and boycotts will continue well beyond the close of the polls after the April 26-28 elections, said Thendo Ratshitanga, 20, an officer in the Congress of South African Students, which represents about 70,000 youth.

Of South Africa's 39 million people, 75 percent are black, and half of them are under 21. Education reform is among their most impor-tant demands. While 95 percent of whites pass matriculation exams.

only 40 percent of blacks do so.

This disparity is due, in part, to the education disruptions created by the era of anti-apartheid activism. But more fundamentally, it reflects the huge gap in government spending for educating different ed by glazed blue tiles, was completed in 691 by the Umayyad ca-racial groups.

whites was nearly six times that for includes the stone where it is said blacks. Black schools are overthat Abraham prepared to sacrifice crowded. Because black teachers emerge from this same inferior educationai system, students complain that they are not receiving proper instruction.

"Ultimately you are still going to have racist schools," Mr. Ratshitanga said. And if the instruction of black students is not dramatically improved, then the disparities between white-black performance will be entrenched even in the new

· · · · ·

2 -2

Menge

Japan

lowing a series of violent attacks on eignty to East Jerusalem, which Is-The eight-sided dome, surround-

ISRAEL: Rededicating a Shrine

rael captured from Jordan in the 1967 war and claims as part of its eternal capital. "We say no to any peace formula that does not restore conquered Mount Igman, over- Arab sovereignty to Arab Jerusa-looking Sarajevo, only to be forced lem so that the whole city would eventually become a token and symbol of peace for all the faithful children of Abraham." Hussein

Jerusaiem is the cultural, religious and economic hub for nearly 2 million Palestinians who live in the West Bank and Gaza Strip, but few of them could visit the Dome of the Rock on Monday. Israel has imposed a closure on the territories, barring most residents from entering Jerusalem and Israel, fol-

■ PLO Says Talks Stalled

his son many centuries before.

PLO negotiators said on Monday their talks with Israel on planned Palestinian self-rule in the Gaza Strip and the West Bank town of Jericho had stalled over details of an Israeli amnesty for Palestinian prisoners, Reuters re-

ported from Cairo. unified school system, he said.

demanded ways to connect the president, the secretary of defense and senior military leaders who could give orders to fire nuclear weapons from anywhere in the country.

Far more elaborate plans began with National Security Decision Directive 55, an order signed by President Ronald Reagan in January 1983 and still top secret.

The directive to create "continuity of government" during and after a nuclear war was drafted by,

the National Security Council staff.

In the Reagan administration, the project was supervised by Vice President George Bush. A senior CIA officer, Charles Allen, was deputy director. In the Reagan and Bush administrations, it involved hundreds of people, including White House officials, army gener-als. CIA officers and private companies run by retired military and intelligence personnel.

According to army officers and vernment officials familiar with it, the project created elaborate new links in the nuclear chain of command.

The plan included a network called the Presidential Survivability Support System. Two hundred

DOOMSDAY: Time's Up for \$8 Billion U.S. Project among others, Oliver L. North, special-operations commandos then an obscure Marine officer on were to secure surviving leaders in

scores of secret bunkers. After the capital was destroyed. the leadership would be linked by a communications system of space satellites and specially outfitted tractor-trailers equipped with sophisticated transmitters. Convoys of at least 16 lead-lined trucks, each commanded by an army colonel, were to hurdle down the nation's highways eluding Soviet warheads.

Upon the trucks and throughout the nation, sophisticated radio and computer terminals shielded from the effects of nuclear explosions were to link surviving military and civilian officials.

Billions of dollars were spent on such equipment, much of which is now in army depots.

The United States Travel and Tourism Administration (USITA) intends to contract with a qualified responsible firm to provide warehouse and customer order filling services for the distribution of the USTTA HOLIDAY PLANNER in France and Germany. The contractor shall directly receive and fill individual consumer orders for the PLANNER, and perform the same services for orders received from the U.S. Government and the European travel trade. The USTTA will provide the PLANNERS 2s Government Furnished Property (GFP) to the contractor for inventory and distribution free of charge. The contractor's cost of operations (warehousing, inventorying, cost of taking orders), and a reasonable profit shall be passed onto the individual consumer via the retail price of obtaining a PLANNER. The contractor may be required to transport GFP from current warehouse locations in Europe to its own facility. The contractor is required to have its operating facility in Europe.

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Taiwan to Proceed With China Boycott

TAIPEI — Taiwan on Monday said China's investigation into a boat disaster that killed 24 Taiwanese tourists was a positive start, but a planned boycott of tour groups to China would go ahead unless more information was forthcoming.

Madness

"The initial result is a positive response, but we need to further-check if it's true," said Shi Chiping, deputy secretary-general of the Straits Exchange Foundation.

"Also, we hope the mainland can make public a more complete investigation procedure," he said.

Prime Minister Li Peng of China indicated on Monday that his government had closed its inquiry into the boat fire, ignoring charges in Taiwan that the killings were carried out by renegade Chinese soldiers

China said the police in Zhejiang Province had arrested three men for murder, robbery and arson in the March 31 disaster that killed 32 people, including eight Chinese crewmen. The victims either burned to death or drowned.

The initial Chinese response to the clamor over the incident was to say that the deaths were accidental. The Mainland Affairs Council, which formulates Taiwan's policy towards China, said it would continue with a boycott of group tours to China planned to start May 1, citing dissatisfaction with the inquest by what it denounced as Chi-

na's "bandit" authorities.
"The report was just too simple.
We are still waiting for a more reasonable explanation," the council chairman, Huang Kun-hui, told parliament.

Mr. Huang demanded that Chinese leaders apologize to the victims' relatives and allow Taiwanese reporters to cover the trial of the three suspects.

Several members of the governing Nationalist Party's Central Standing Committee also welcomed China's investigation.

"Based on the fact that they announced the result, they know what they did in the past was wrong. This is a correct direction," said a former prime minister, Hau Peitsun.

Chinese Welcome Peace Corps Despite Tensions With U.S.

By Daniel Southerland
Washington Post Service

LESHAN, China — The first American Peace Corps volunteers to serve in China are teaching in the country's southwest hinterland, where they must cope with unheated classrooms, culture gaps and a stark lack of privacy.

But the 18 American volunteers,

But the 18 American volunteers, who teach English to future teachers and medical students at five sites in Sichuan Province, appear to be adjusting well, getting a largely enthusiastic reception and keeping busy dispelling misconceptions about the United States.

about the United States.

Despite strains in relations between the U.S. and Chinese governments, this is one cross-cultural channel that seems to be working.

Some of the Chinese students at the Leshan Teachers College who were raised in rural areas had never seen a foreigner, much less an American, before the Peace Corps volunteers arrived.

"A lot of first-year students walked into the classroom wearing Mao-style suits" and looking petrified at seeing a foreigner, said Jason Rekate, 23, one of five Americans teaching in Leshan. "Some of them were sure that Americans all have guns and use drugs."

Everyone seems to know where the Americans have been each day and what they're doing. Megan Tracy, 26, a teacher at Chengdu Teachers College, was approached by Chinese students after she returned from shopping for vegetables one day.

"We heard you were overcharged in the market," one of the students said. "You have to be careful not to let them cheat you."

William M. Speidel, director of the Peace Corps program in China, said he hopes to see it expand. Peace Corps and Chinese Education Ministry officials began proliminary talks in Beijing in February on whether to continue the program, and a decision is expected this summer.

In Leshan, about 160 kilometers south of the provincial capital of Chengdu and 1,800 southwest of Beijing, the Americans live in one-room apartments that are spacious by Chinese standards. They share a kitchen, refrigerator and dining

room but often eat in the city's small restaurants.

Each teacher is provided free lodging by the college and a monthly living allowance of 650 yuan — \$75 — from the Peace Corps.

The China program is a modest one for the Peace Corps, which deploys nearly 7,000 volunteers worldwide. But China's government is often sensitive about programs that bring foreigners into close contact with ordinary Chinese. It took two years to negotiate the details.

The program originally was to begin in the fall of 1989. But after the United States protested China's brutal crackdown on democracy demonstrators in June of that year, both sides decided to postpone the start indefinitely.

Reijing wants stronger ties with

Beijing wants stronger ties with the United States to promote its foreign trade and strategic interests. But at the same time it is cautious in dealing with foreigners who could strongly influence Chinese youth.

After renewed negotiations, the first volunteers finally arrived in China last June, underwent 11 weeks of language training and began teaching last fall at five sites in China's most populous province. They are to stay in China until mid-1995.

They are called "U.S.-China friendship volunteers," rather than Peace Corps volunteers — the only Peace Corps contingent in the world that is not identified by its proper name. This apparently is because Chinese Communist Party propagandists, in earlier years, had condeanned the Peace Corps as a "tool of American imperialism."

Shuai Peitian, head of the Eng-

Shuai Peitian, head of the English department at Leshan, supervises the American teachers and their courses. "They're working very hard," Mr. Shuai said. "I hope the United States will send more teachers. The more the better."

In contrast with traditional Chinese teaching, which emphasizes rote learning and great deference of students toward teachers, the Americans try to encourage classroom discussion.

"Our teacher tells us to give a different opinion from his if we want," said Cai Guijuan, 22. "That makes our thinking freer."

Challenger's Bid Fizzles For Japanese Leadership

Compiled by Our Staff From Dispatches
TOKYO — Foreign Minister
Tsutomu Hata on Monday appeared certain to be elected prime
minister after his main challenger's
bid for the post failed to gain mo-

nentum.

Leaders of the seven parties in the governing coalition will resume talks on Tuesday, aiming to wrap up a basic policy program before naming Mr. Hata, 58, as candidate to replace Prime Minister Morihiro Hosokawa. Mr. Hosokawa re-

signed on April 8.

Tomiichi Murayama, head of the Social Democratic Party, the largest in the coalition said: "All we have to do is nominate our candidate, elect a new prime minister and pass the stalled budget bills as soon as possible."

His confident prediction of a swift solution to Japan's power struggle came after a former foreign minister, Michio Watanabe, postponed a decision on whether to quit the opposition Liberal Democratic Party as a preamble to seeking the leadership of the coalition. The delay, in effect, put him out of the running.

er in the Liberal Democratic Party.
Mr. Watanabe held prolonged discussions on Sunday and Monday with the Liberal Democratic chief.
Yohei Kono, and emerged to say he needed more time to think the matter over and that it seemed difficult for him to cooperate with the coalition "in the current situation."

Liberal Democratic sources atributed Mr. Watanabe's hesitation to the likelihood that only about 20 out of more than 50 legislators in his Liberal Democratic faction, the third largest in the party, would follow him into the coalition—far short of the minimum required for a chance to grab the leadership.

Coalition sources said party leaders were expected to reach a final consensus on backing Mr. Hata's bid by Tuesday and call for a parliament session to vote in a new prime minister the next day.

Mr. Hata, leader of the Japan Renewal Party, a powerful group in the coalition, has been front-runner for the office of prime minister since Mr. Hosokawa stepped down.

down.
Mr. Hata was a Liberal Democratic for more than 20 years until he quit last year to join the coali-

As foreign minister and deputy prime minister, he played a key role in the Hosokawa government.

(AFP, Reuers)

The U.S. defense secretary, William J. Perry, will visit Japan on Thursday and Friday, the Foreign Ministry said in Tokyo, according to Agence France-Presse. Mr. Perry postponed the trip by two days after the downing of two U.S. helicopters by U.S. jets over Iraq last week.

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TOGETHERNESS — Martin Lee, center, head of Hong Kong's United Democrats party, whose call for more democracy in Hong Kong is opposed by China, holding the hand of Anthony Cheung, left, head of the Meeting Point party, as they announced Monday they were joining up to launch the Democratic Party in October. On the right is Yeung Sum, a member of the United Democrats.

North Korea Insists On Talks With U.S.

Compiled by Our Staff From Dispatches
TOKYO — Breaking his silence
on an issue that has raised tensions
in Asia, President Kim Il Sung of
North Korea said direct talks with
the United States are the only way
to resolve the dispute over his
country's nuclear program, which
U.S. officials suspect is being used

illicitly to develop weapons.

Mr. Kim made the comment in a written response to questions submitted by the Japanese television network NHK, the network said in its Monday evening news broadcast. Mr. Kim, who has been dictator of North Korea for nearly half a century, rarely has contact with the foreign press.

"Although we have never had nuclear weapons, America is unjustly finding fault with us and kicking up a ruckus with noisy pressure," he was quoted as saying.

Accusing the United States of stocking nuclear weapons in South

Accusing the United States of stocking nuclear weapons in South Korea, Mr. Kim said, "The only way that the nuclear problem on the Korean Peninsula can be solved is through direct talks with the United States."

While he apparently did not con-

While he apparently did not confront the question directly, Mr. Kim's comments indicated that North Korea was sticking to its position that it could not accept the UN Security Council's formal request for full nuclear inspections. If

so, it is unlikely Washington would e accept Mr. Kim's call for direct

talks.

Fears that North Korea is building nuclear bombs grew last month
when it denied inspectors from the
International Atomic Energy

In Seoul, military officials said the first shipment of Patriot antimissile batteries for South Korea's defense had arrived Monday aboard two U.S. military transport

ships.
South Korean military officials said three Patriot batteries with a total of 24 launchers arrived at the port city of Pusan. Also shipped were 84 Stinger missiles for defending the Patriots, which are to be deployed mostly at major ports and air fields, the officials said.
President Bill Clinton ordered

the deployment in late March because of heightened tensions over North Korea's nuclear program. But by the time of their arrival nearly a month later, tensions had eased somewhat and a new round

of U.S. diplomatic efforts was un-

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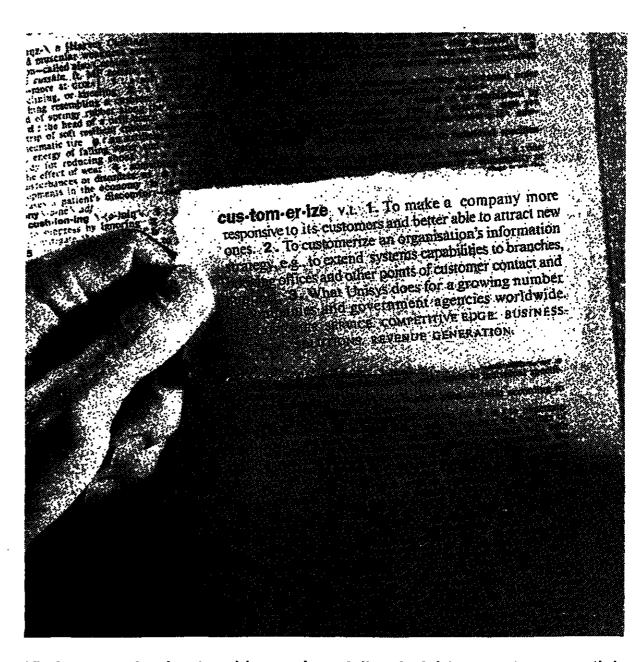
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G

PINION

Greece in the Balkans

This week Washington welcomes Prime Minister Andreas Papandreou. It should begin by asking him to explain why Greece is throwing kerosene on the fire in the Balkans. Without, reportedly, even consulting his foreign minister, in February he suddenly clamped a painfully effective blockade on the former Yugoslav republic of Macedonia. The step is cruelly destabilizing in a country already caught up by tensions that threaten to ignite a whole new set of southern Balkan wars.

By a sympathetic stretch, one can sense the historical anxieties that have led Greece's leadership and hyper-stimulated public to perceive a mortal national threat in Macedonia's claim to a Hellenic name and in its use of Hellenic symbols and rhetoric. But then on the basis of this emotional flight to commit what is close to an act of war - blockading 80 percent of Macedonia's commerce? To do this at a moment when Serbia, Albania and Bulgaria are conducting policies that call into question the integrity of Macedonia and that invite a broader war extending even to Greece and Turkey? To persist in this self-defeating policy to a point where, in an unprecedented challenge to a fellow member, the European Union is now bringing Greece to court for the blockade?

Greece is not responsible for what others are up to in Macedonia. It is pressing no territorial or ethnic claims on its neighbor. Serbia's interest in Macedonia's Slavs, Albania's interest in Macedonia's Albanians, Bulgaria's interest in a Macedonian population it regards as Western Bulgarian - these currents are not Mr. Papandreou's concern. But he can see these currents being agitated and, knowing his region, he surely knows how inflammatory they are. He also surely knows the dangerous extra strain that Greece puts on Macedonia by its confrontational policy. Greece could yet challenge these policies more effectively, and with its NATO allies' support. by a touch of moderation. It should do its part to head off a new escalation into war.

-THE WASHINGTON POST.

Lots of Death Penalties

There is little doubt after last week that members of the House of Representatives are strongly in favor of the death penalty. The crime bill that came over from the Senate last fall made dozens of offenses capital crimes, and now the House has added more. Almost 70 crimes will carry a death penalty if this House provision survives conference, and that is likely to happen. On three separate votes, the House resisted efforts to soften these provisions. The capital punishment crowd prevailed 3 to 1, even rejecting an amendment that would have limited the penalty to crimes in which a victim was actually killed. Polls indicate that the death penalty is widely supported in the country, so the House vote comes as no surprise. It is nevertheless a regrettable step, motivated more by vengeance than by reason, and impli-

cating society in barbaric punishment. Thursday's votes will not be reversed, but the House will have an opportunity this Tuesday to take steps that will at least diminish the possibility that innocent people will be executed. At issue is reform of federal habeas corpus law. Habeas corpus proceedings give prisoners a chance to challenge their state court convictions in federal court. It is a form of appeal that is available after all ordinary direct appeals have been exhausted. Supporters of the death penalty have complained that repeated

habeas corpus petitions, some of which at-

tempt to more or less retry the case instead of contesting the constitutionality of the proceedings below, have unreasonably delayed the imposition of sentences and have been very expensive. On the other side, there is dissatisfaction because some defendants even those facing execution — do not have qualified lawyers handling their cases. Some

have no lawyers at all for habeas proceedings. The bill before the House remedies the situation by limiting both the number of habeas petitions that can be filed and the time period in which the step must be taken. Successive petitions will, except in special circumstances, be eliminated. The bill also would modify some recent Supreme Court rulings that limit the grounds for habeas corpus relief. In addition, and of great importance, the bill would provide for the appointment of competent and adequately financed lawyers for indigent

defendants in capital cases. These reforms will be challenged on at least two votes, but the committee language should be preserved. The importance of habeas corpus proceedings is illustrated by the fact that 40 percent of the capital cases heard at this stage are overturned on constitutional grounds. At a time when the number of capital crimes is being increased dramatically, this avenue of

review must be preserved and strengthened. - THE WASHINGTON POST.

Blowing a Smoke Screen

a cigarette maker sneered about last week's dramatic clash between a congressional subcommittee and executives of the seven largest American tobacco companies. So it was, and a particularly corrupt and mendacious kind of theater at that. Perhaps the prospect of someday owing millions to the victims of their product compelled the tobacco executives to deny the reality of the consequences of cigarette smoking.

It was a shameful day for American business, even though we are wearily familiar with the obfuscations employed by the defenders of an industry responsible for the deaths of nearly half a million Americans every year.

The tobacco executives were testifying at the invitation of Representative Henry Waxman, chairman of the House Energy and Commerce Subcommittee on Health and the Environment. Mr. Waxman was, in turn, responding to the shrewdly worded request of David Kessler, commissioner of the Food and Drug Administration, that Congress give him "clear direction" as to whether the FDA should be enabled to take regulatory action on cigarettes.

Last month Mr. Kessier suggested that the reason many smokers find it close to impossible to break the habit may be because the industry makes it close to impossible -- by controlling the level of nicotine, a powerful addictive agent, during the cigarette production process.

For seven hours the executives faced sharp questions, which they buried in smoke. James Johnston of R. J. Reynolds, for instance, linked smoking with other pleasurable habits like drinking coffee or eating sweets. Mr. Johnston also said that neither he nor anyone else knew how many smokers died of cancer, because estimates of death are "generated by computers and are only statistical."

Seconds after being told that users of snuff were 50 times more likely to develop oral cancer than abstainers, U.S. Tobacco's Joseph Taddeo said, "Oral tobacco has not been established as a cause of mouth cancer." Asked if he knew that cigarettes caused cancer, Lorillard's Andrew Tisch replied, "I do not believe that."

All the executives, however, confirmed that tobacco companies could control the amount of nicotine in cigarettes by altering blends of tobacco. And every last one of the six who had children said he would prefer they not smoke. If the hearing was, as the PR adviser said, "theater," it was also only a first act. There was no denouement, but there were revelations. Lorillard's Dr. Alexander Spears admitted, for example, that the data he gave Congress three weeks ago showing a drop in the

amount of nicotine in cigarettes were wrong. After admitting to twice stopping publication of a study that demonstrated the addictive effects of nicotine in rats, Philip Morris's William Campbell waived the secrecy agreement that has kept the researcher who headed that study from discussing it publicly. The companies also agreed to supply many private company papers, including all the research on humans and animals concerning nicotine and addiction, along with the market research and internal memorandums on Reynolds's childfriendly Joe Camel advertising campaign.

'I want to talk to you about the real issu before the American people and this subcommittee." Mr. Johnston said at the beginning of his testimony. "The real issue is, should cigarettes be outlawed?" Raising the prospect of prohibition is a scare tactic. The real subject of these hearings is whether the tobacco industry has knowingly created and manipulated an addiction. The executives' obfuscation and their long battle to keep their research secret point to the obvious answer.

— THE NEW YORK TIMES.

Other Comment

Astounding Tobacco Statistic

Cigarettes are the single most dangerous consumer product ever sold. Nearly a halfmillion Americans die every year as a result of tobacco. This is an astounding, almost incomorehensible statistic.

For decades, the tobacco companies have been exempt from the standards of responsibility and accountability that apply to all other American corporations. Companies that sell aspirin, cars and soda are all held to strict standards when they cause harm. We don't allow those companies to sell goods that recklessly endanger consumers.

— Representative Henry Waxman, Democrat of California, at a House subcommittee hearing last Thursday, as quoted by The Washington Post.

The self-righteous cant emerging from America over smoking is enough to make one reach for a Havana cigar. For the politicians, smoking has become all too easy a target. Congressmen see a natural advantage in bran-dishing dubious statistics and belaboring the industry. One of them, Henry Waxman, wants to have tobacco classified as a restricted drug. Americans should beware of what is becoming a hysterical crusade against tobacco.

- The Daily Telegraph (London).



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When a Mighty Alliance Aims for Peace at Any Price

N EW YORK — Truman! thou shouldst be living at this hour. (With apologies to Wordsworth.) For 50 years American power, pur-

pose and resolve have kept the peace in Europe. They faced down the severest challenges, and prevented a third great war. That age is over now. So we have to conclude from the humiliation in Bosnia. There the United States and

NATO, the most powerful military

alliance in the world, have allowed

themselves to be intimidated by a minor force of ultranationalist Serbs under demagogic leadership.
The reason for this seismic change

in the balance of effective power in the world is plain. The United States has in office an administration that does not believe in the commitment

much the feel of things today.

standing, deeply disturbs me.

WASHINGTON — I ask rhetorically about

general but deep concern about the state of the

world today? I am old enough to have lived

through two world wars and a constant string of

lesser conflicts that seem inevitably to follow

closely one upon the other. And I do not like very

There are improvements, of course, that have been made, but the continued stress everywhere

and seemingly unending bloodshed, bloodshed

that affects so many common people who want

only to live out their lives in peace and under-

Do you share with me a concern about our standards, professional and otherwise, these days?

Are you bothered at all by the current emphasis in

your "concerns." Do you share with me a

By Anthony Lewis

Blackmun: 'A Seeming Lack of Outstanding Leadership on So Many Levels'

billable hours, on advertising and on 2 reluctance

Are you concerned about the overriding interest

in some quarters of the medical profession with

income, about that profession's decrease in patient

confidence and about the proliferation of malprac-

Los Angeles a year ago? Now, months later, we

still cannot escape the grip and the significance of those events and what they hold for all of us in the

days ahead. Indeed, it seems as though the entire

world - the Far East, the Middle East, much of

Africa, South America, Europe and ourselves --- is

in turmoil Man's inherent inhumanity to man.

Can we possibly rise above it and see to it that the

flowering of new life somehow will rise, as it

Are you concerned about the wretched events in

tice suits and punitive damages?

in many quarters to engage in pro bono work?

resolve to keep the peace. Eleven months ago a high Clinton administration official, Undersecretary of State Peter Tamoff, as good as said so. He explained at a back-

the world and that it would therefore play a more modest role. Secretary of State Warren Christopher and others disavowed the Tarnoff Doctrine. There was no intention, they said, of walking away from the responsibilities of leader-

ship. But we can see now that the Tarnoff Doctrine is in operation. It is in fact the Clinton Doctrine. Rosnia is a dramatic demonstra-

The following are remarks that Justice Harry Blackman of the U.S. Supreme Court sent iast June to Sol Linowitz, a lawyer and former diplomat, who had asked him for comments.

the legal profession upon the "bottom line," on always has before, from the ashes of old disasters?

of American power, purpose and tion of the loss of purpose and re-resolve to keep the peace. tion of the loss of purpose and re-solve abroad. Bill Clinton has repeatedly seemed to take on the mantie of

leadership there, then wavered. As a show of irresolution it might have been plotted by a playwight. ground briefing that the United States could no longer afford to lead Mr. Clinton came to office demanding sterner measures to stop Serbian aggression: lifting the arms embargo on the Bosnian victims and

> allies demurred, he gave up those ideas without a fight. A year of wavering seemed to end in February, when President Clinton led NATO to issue an ultimaturn to the Serbs to stop shelling

using NATO air strikes against the

aggressors. But when the European

failing to press for a broader Serbian pullback and doing nothing as the Serbs launched an attack on the safe haven of Gorazde.

A week ago there was another show of strength that seemed to promise resolve: the air strikes on Serbian guns at Gorazde. But when the Serbs renewed the attack, Mr. Clinton assured them that America had "no interest" in changing "the military balance." That is, "no interest" in helping the victims of aggression, the Bosnians whom a year earlier Mr. Clinton had wanted to arm and help with air strikes.

Administration officials indicated that NATO would not hit the Serbs again because that might anger them and make them unwilling

And then are you concerned with the blight of

continued racism and anti-Semitism in this coun-

try? Nothing yet has convinced me that racism is not all around us still and at times seems to be

And are you concerned about basic values -

what they are and whether we heed them? Are

you concerned about your country? Are you

concerned about its seeming lack of outstanding

leadership on so many levels? Are you concerned

that many of those whom we ought to be able to look up to appear now to have feet of clay?

oration of moral values, about the failure of the

family and the schools and the synagogues and

be a lessening sense of integrity, the very thing

that stands out so impressively in many of our

the churches to lead and to show the way? Are you concerned about what seems to me to

Are you concerned about the seeming deteri-

growing stronger and more ugly.

again the United States wavered, to agree to a cease-fire. Serbian tanks rolled into Gorazde, and then there were reports that Bosnian Serb leaders had agreed to a cease-fire.

Willys,

That is Munich, an American Munich. And it can only have the same result that it did when Neville Chamberlain and others gave Hitler part of Czechosłovakia at Munich in 1938 in return for his promise to be good: to

encourage further aggression. The principle that underlay security in Europe after World War II was that territory could not be sezzed by force. That is the only principle that can assure peace in Europe after the Cold War — that can keep other conflicts from unraveling security on a far larger scale than Bosnia.

Even many of those who opposed U.S. force in Bosnia thought that, once it was employed, America should not retreat. The public collanse of American will at Gorazde has gravely injured the interests that the president's national security adviser, Anthony Lake, said on April 7 were at stake in Bosnia: "NATO's credibility and our very vision of a post-Cold War Europe.

In drawing back from the world, President Clinton might say, he is following the will of the American people. That may be, Harry Truman had a different view of leadership.

Looking at Gorazde, Americans who worry about the consequences of failure to stand up to aggression and genocide in Europe could say what the Duke of Bourbon said in Shakespeare's "Henry the Fifth," as he looked at the field of Agincourt after the outnumbered English had defeated the French: "Shame and eternal shame, nothing but shame!

past revered leaders? The Washington Post.

The New York Times.

This Isn't the Way to Have the United Nations Keep the Peace

N EW YORK — The agony of Gorazde confirms that United Nations member states lack the means, as well as the will, for collective enforcement of Security Council resolutions. The story is the same in Haiti, where leaky economic sanctions punish the wrong people, and in Somalia, where a dual-track command structure helped doom the military and humanitarian mission.

North Korea's acquisition of nuclear weapons would threaten the whole region, but enforcement of international norms will no doubt be left largely to the United States, turning a multilateral problem into a bilateral confrontation.

Half a century after the UN Charter outlined a plan for organizing the international use of military and economic power, nations are still experimenting with ad hoc responses to dangerous crises.

Bosnia is a sad case in point. With Washington, Brussels, Moscow and even the UN secretary-general seeking a piece of the action, the patchwork command structure is as unstable as it is awkward. By asking NATO to enforce Security Council

By Edward C. Luck

resolutions, a golden opportunity for Russian-American cooperation has been turned into a messy competition for influence and presuge. While President Boris Yeltsin's last-minute dispatch of Russian troops to Sarajevo helped save face for him and the Serbs, it has encour-

aged the Serbs to use dividing tactics, playing East against West. It is becoming apparent that an alliance founded to contain Russian power cannot long serve as the enforcement arm of a Security Council over the decisions of which Rossia has a veto. The UN secretary-general has, unfortunately, been given the dicey and

controversial task of deciding when air strikes should commence, something far beyond his responsibilities under the UN Charter. The enforcement provisions of the charter's Chapter VII never mention his office. The secretary-general's special assets as a neutral mediator would be compromised if he were to act simultaneously as commander in chief of forces involved in the conflict. As an international figure, the sec-

retary-general can offer a global per-

By Jim Hoagland

spective above the interests of individual states. Only national leaders can ultimately be responsible for the

lives of their soldiers in warfare.

This charter-based division of labor would permit a neat "good cop, had cop" relationship between the secretary-general and the Security Council Just as the Clinton administration apparently has concluded that the State Department should address peacekeeping and the Defense Department peace enforcement, the secretary-general should oversee peacekeeping operations, while the troop-contributing countries, working through the Security Council and its Military Staff Committee, should

coordinate combat operations. In the schizophrenic Bosnia operation, where the Security Council has placed peacekeepers and humanitarian workers on the ground as it threatens war from the air, the secretary-general should be consulted to ensure the safety of UN personnel. It is the members of the council, however, who must shoulder the burden of working through the dilemmas aggravated by their

ambivalent and meonsistent policies. They cannot expect the secretary-general to compensate for their weak leadership, nor should be serve as their scapegoat.

Over time, the key is to build a system of year-round military cooperation, including joint training, exercising, long support, rules of en-gagement and contingency planning that parallel the NATO experience on a global basis. This is precisely what the UN Military Staff Committee - composed of the chiefs of staff of the five permanent members of the Security Council, plus other nations and regional subcommittees as needed — was supposed to do.
The Military Staff Committee

was turned into a sleepy luncheon club by the Cold War. But an invig-orated version could combine broadbased political legitimacy with professional military preparations for joint actions on those rare occasions when the Security Council members can agree on deeds as well as words. National leaders would retain ultimate control over their forces under a UN flag, as they do in NATO, but the practice of year-round coopera-

tion would make the United Nations

made clear to congressional commit-

tees and in public statements his sen-

as Korea, Kuwait, Haiti, Somalia and Bosnia could tap the participation of neighboring countries and regional organizations on a more consistent and clearly legal basis. Prepared properly and undertak-en selectively, military cooperation under the United Nations can lead

forces more credible and effective.

And by activating regional subcom-

mittees for the first time, UN en-

forcement actions in places as diverse

to shared burdens, lower risks, reduced fears of American dominance and fewer misunderstandings with the Russians. Recent cobbled-together impro-

visations are giving the goal of international cooperation a needless black eve. It is high time for the United States and its partners to show that they are serious about delegating the role of world policeman to the United Nations by developing the mechanisms for doing it right rather than using their absence as an excuse for inaction.

The writer is president of the United Nations Association of the USA. He contributed this comment to the International Herald Tribune.

This Espionage Iceberg Could Roil American Waters for Years

WASHINGTON — In chaos veri-tas. Out of the breakup of the Soviet emone emerge disturbing re-ports that Soviet penetration of the U.S. government during the Cold War was far greater than any but the most dedicated mole-himters believed.

Using documents and defectors' accounts obtained since the fall of the Berlin Wall, U.S. counterintelligence agents have concluded that a dozen and probably more — previously unidentified officials scattered across an array of government agencies co-operated with Soviet intelligence in the past two to three decades, senior U.S. officials tell me.

The investigations of these officials are in preliminary phases, but paral-lel the prosecution of Aldrich Hazen Ames, the former counterintelligence expert at the Central Intelligence Agency accused of having made millions by identifying Russian CIA informants who were then executed. If the fears of the spy-hunters are

W ASHINGTON — In the wake of charges that a high CIA official was a Russian "mole," an old

question is being newly raised. How deeply did the Soviet Union pene-

Through two generations, that is-sue poisoned relations between liber-

als and conservatives. The liberals' villains were Joe McCarthy and Roy

Cohn, and to a lesser extent Whitta-ker Chambers and Richard Nixon.

Among the conservatives villains

were the diplomat Alger Hiss, the nuclear scientist J. Robert Oppen-heimer and the Lillian Helimans

Judging by a damning book out Monday by Stalin's favorite hit man,

it is going to be a tough year for "anti-anti-Communists."

son of "Special Tasks," is a loath-

some killer. On Stalin's orders, he

arranged for the assassination of Leon Trotsky; he hails Beria and de-rides Khrushchev. Self-serving and

untrustworthy he may be, but the 87-

year-old spy is, as the editors Jerrold

and Leona Schecter write, "the sur-

viving institutional memory of the

Russian intelligence service's covert

The news lead in the book, as ex-

Although not Soviet contract

agents, these great scientists were

operations from the 1920s to 1953."

build the atomic bomb.

Pavel Sudoplatov, author with his

who defended them.

trate the American government

justified, Mr. Ames is the tip of a very nasty iceberg that will roil government waters for years to come. "The Ames case is not going to be

unique," says an official with detailed knowledge of that prosecution and of the newer preliminary investigations. There will be a reasonably steady diet over the next months" of disclosures of new spy cases involving agencies other than the CIA, and "there could be dozens of spy prosecutions over the next 10 years" of Americans who sold secrets to Moscow. "The collapse of the East German and Soviet services created an opportunity of great dis-covery for the United States," this official added. "Out of their files came a lot of stuff that has been turned over

to the FBI to start chewing on."
For the population at large, new prosecutions for old spying may seem antichmactic. The secrets that American citizens sold to Russian agents

Were Reds Under So Many U.S. Beds?

By William Safire

tives, reports Mr. Sudoplatov. Their

motive in revealing secrets to Moscow
—beginning with Mr. Oppenheimer's

leak to the Soviets of Albert Einstein's

original letter to Franklin Roosevelt

-was not to betray the United States

Not all America's top scientists ar-

rogated to themselves that momentous

national security decision. The KGB tried and failed to attract George Kistiakowsky and Edward Teller. Like Mr. Oppenheimer, Alger Hiss

was not a paid or controlled agent,

according to Mr. Sudoplatov, Mr.

Hiss, KGB code name "Mars." was

"very close to our sources ... highly sympathetic ... a source of agent in-

formation for the Silvermaster spy

tions he may have learned in the

1930s: never admit anything."
To those interested in the Ames

case, the most intriguing sentences in

the book attribute an allegation to an 81-year-old friend of Mr. Sudoplator's

in military intelligence, unnamed be-

cause a son serves in government.

The retired GRU officer remembers

that there was a controlled agent

source of information in Roosevelt's

office. He was Roosevelt's assistant on

intelligence affairs, and he was on bad

terms with William Donovan and J.

Edgar Hoover, head of the OSS and

Oval Office during World War II?
The confessed Communist courier

Was there a Soviet mole in the

the FBI, respectively."

cell ... his behavior followed instruc-

but to share information with Russian

centists to defeat the Nazis.

did not alter the outcome of the Cold War, which ended by Soviet implosion. The new details of pre-Wall Fall espionage may be more dramatic than significant.

But for the people and institutions of the intelligence community already reeling under the impact of the Ames case and the accusations that the CIA was too lax in pursuing the spy with three last names, that is not the case. Their future could be significantly affected by a new wave of disclosures of Soviet moles who have worked elsewhere in the U.S. government. These disclosures could spark a

witch-hunt atmosphere in which confidence in government could be undermined. Instead of seeing new arrests as evidence of an old problem being cleaned up, Americans may construe the spy trials to come as new proof of contemporary negligence

Elizabeth Bentley identified Lauchlin

Currie, an economist, and Harry

Dexter White, a Treasury assistant

secretary, as witting sources, and fin-gered Duncan Chaplin Lee, a law

partner and later assistant to the OSS's

General Donovan, as an NKVD

agent. (Mr. Lee, a descendant of

Robert E. Lee, denied this under

oath.) But nobody has suggested that a confident of FDR's was a "con-

secondhand, unsupported recollection is true, who could that early mole be?

the description (FDR assistant on

intelligence, disliked by Donovan

and Hoover) could apply to John

Franklin Carter, a newspaper colum-nist and novelist (always a nefarious combination) who used the pen name

Jay Franklin. He and a staff of six, on

State Department payroll, supplied FDR with reports on Nazi leaders —

and, at one time, an analysis of Soviet intelligence. He died in 1967, an ar-

This fellow might have been a "con-

trolled agent" or a patriot. As more

documents and memours come out of

the KGB woodwork, we will learn

more - not just about FDR's day, but

about more recent penetration agents

Spooks call the resultant reassess-

ment "walking back the cat." Histori-

ans and biographers will have to re-

shuffle shibboleths about familiar

sent and retired intelligence officers.

villains and heroes. And among pre-

the Second Man" is getting worried.

The New York Times.

in U.S. intelligence agencies.

dent anti-Communist.

Assuming that Mr. Sudoplatov's

Two CIA historians I checked say

timent that the CIA is already getting a bum rap for not having seen Mr. Ames as a mole-candidate earlier. Counterintelligence is time-consuming, painstaking work that must be undertaken without the subject knowing that the net is closing around him or her, Mr. Woolsey argues. Premature disclosure of investiga-tion enabled the State Department diplomat Felix Bloch to avoid prose-

cution in the late 1980s. Under existing law, the only way the CIA could have obtained Mr. Ames's financial records was to notify him that it was doing so, a step which would have compromised the investigation that turned him up as a primary suspect in 1991 and had narrowed to him exclusively by May 1993. The law is now almost certain to be

changed to permit the agency to track the cash flows, investments and tax returns of employees, as a condition of employment. The administration will later this month offer its own legislation as an alternative to a bill proposed by Senator Dennis DeConcini, Democrat of Arizona, which has features that the administration supports and one major flaw.

The flaw is Mr. DeConcini's pro-

posal in effect to put the FBI in charge of all counterintelligence, including overseas operations now run by the CIA. This risks setting the FBI up as a separate foreign intelligence agency and giving too much power to one agency in the government. Cut-

CIA Director James Woolsey has ting the CIA out of foreign counterintelligence also could reduce the effectiveness of U.S. spy-chasing. An intelligence community review

of the major spy cases of the Cold War era, said to number 20 to 30, suggests that most often important leads on treason cases come from foreign intelligence links now handled by the CIA, according to one official. These sources include defectors, foreign liaison services and tipoffs about American secret information that has come into enemy hands.

The wave of spy cases that may soon come crashing into court will accelerate the drastic overhaul of U.S. intelligence and counterintelli-gence mandated by the end of the Cold War. Congress and the public must be careful not to throw the remaining valuable parts of the intelligence apple out with the worms that have eaten into it.

The Washington Post.

The Spy Games Continue DESPITE the professed shock in

Washington that the Russians continue to spy, most leaders understand that espionage did not end with the Cold War. It is a point made by a former CIA director, William Colby: Before we get too morally indignant, let's realize the Russians were said to be using Mr. Ames to identify American spies in Russia. That meant we had those spies." Professional spies know that the game goes on.

— David Wise, commenting in

The Washington Post.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1894: Verdi's Success PARIS - The most important event

of the Paris season was certainly the production of Giuseppe Verdi's "Fal-staff," at the Opera-Comique. In spite of the fact that "Falstaff" has already been played in Milan and other towns of Italy and Germany, it had not had the seal placed upon its merits by being played before a public unpreju-diced by political and patriotic considerations. "Faistaff" can now march confidently to the conquest of the repertoires of all the theatres of the world. for the work of the great Italian master obtained a very great success.

1919: A Mexico Mandate?

WASHINGTON, D.C. - There is a growing belief here that if the League of Nations is adopted, the United States should become the mandatory for Mexico rather than for Turkey, Armenia or Albania, which are most frequently mentioned. The opinion prevails in Washington that, while it

might be irksome to send troops to Asia Minor, the public would be more willing to use an army to establish order south of the Rio Grande.

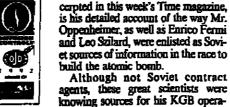
1944: Human Torpedoes LONDON - [From our New York

edition: The Royal Navy's hitherto most secret weapon, the so-called human torpedo, sank an enemy cruiser and damaged a large transport at Paletino, Sicily's strongly defended naval base, in January, 1943, and has since accomplished other conspicuous feats the Admiralture presented to ous feats, the Admiralty revealed to-night [April 18]. Officials described the human torpedo as the best-kept naval secret of the war so far. Two men, wearing diving suits, sit astride the torpedo and drive it to the target. On approaching the target the torpedo submerges. It is then guided beneath the enemy ship. There the explosive head is fixed to the bottom of the ship. A time fuse is set, giving the men time to get out of the danger zone, riding the headless torpedo.

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withe Peace

By William Pfaff

Geography has until our day been the fundamental factor in foreign policy. Dynastic conflict, disputed territorial claims, rivalry over resources, claims on ethnic minorities living across disputed fron-tiers, the straightforward desire for terri-torial aggrandizement—these have been

the main nonideological causes of war. Even imperial expansion was a form of territorial rivalry. Within Europe itself, national policy was driven by Hapsburg and Bourbon territorial claims, Napoleonic expansionism, Prussia's ambitions to dominate the other German realms and compete with Austria, its claims on Denmark, its seizure of Alsace

Power is now economic and cultural, lying in the success and good order of a nation.

and Lorraine in the Franco-Prussian war, Republican France's subsequent obsession with recovering those prov-inces, the Austro-German-Russian rivalry for influence over the territories breaking away from the Ottoman Empire and in revolt against Austro-Hun-

gary's own authority ... American policy in the 19th century was motivated by the idea of Manifest Destiny on the North American continent, and, in the case of the war with Spain, the idea of Pacific empire.

Today power and influence no longer are linked to geography. The fact that Serbs and Croats are fighting to expand their national territories is generally taken by the rest of us as another proof that they are captives of ideas from the past. Now national power rests mainly on industry and finance, and on cultural influence.

During the period when the military reach of nations was limited, and the great powers occupied a relatively small part of the globe, policies of power balance made sense. Victory in war, or successful exploitation of the threat of war, required alliances that shifted the calculations of military and naval power. But what exactly does balance of power mean today?

If conflict is economic, what advantage is there in alliance with one potential rival against another? How does alliance, "balance," serve competitive economic interests?

The United States, Japan and the European Union are political and military allies, but they also are supposed to be economic rivals. They manufacture competitive goods and attempt to sell them in the same markets. The idea of economic alliance seems to make sense only as trading zones with barri-

P ARIS —"I am not responsible for geography." Stalin told the Finnish government in 1938 as he demanded political concessions.

ers against competition. Are Mexico, Canada and the United States in an alliance directed against the European alliance directed against the European Union and Japan?

It seems to me that a political vocabulary of power balance is often misapplied today, when commentators talk of alliances with Russia to "contain" China, or with China to "contain" Japan. Contain them from what? The industrial nations and trading blocs are rivals in certain respects, but they are also mutually dependent in that the prosperity of one relies on the general prosperity of the others. NAFTA and the economic recovery of the United States can only benefit from European and Japanese prosperity, since all are major markets for one another's goods. Geopolitical rivalry is a zero-sum

game in which gains by one require loss for others. Economic rivalry is a matter of marginal gains or losses within a context of general growth (or decline). In this situation, the traditional policy conception of power balance and power advantage risks irrelevance.

I do not say that classical issues of military and political rivalry and intimidation have vanished. Military power certainly remains relevant with respect to the dangers that would arise from anarchical breakdown, political retrogression or the rise of authoritarian nationalism in a nuclear Russia; or with respect to the threat of further breakdown in the Balkans, jeopardizing the stability of Albania, Macedonia and Greece and indirectly threatening West European order.

But the United States, Europe and Japan are not military rivals, and they are today's crucial powers. This mean that military power does not have the significance it had before 1989. In this respect the United States, "the only superpower," is not as powerful as it was when Russia still was a global power and national power was generally measured in military terms. Military power does not generate employment and prosperity, and that is today's competition.

Effective world power is economic and cultural. It lies in the success and good order of a nation. The nation that can successfully combine economic success and prosperity with social justice will exercise the greatest long-term influence.

In that competition America's power is compromised by the international perception that, in significant respects, it is an unjust society, distinguished by vio-lence, social disorder and decline. European influence is limited by its recent incapacity to create jobs and prosperity. Russia still has enormous power in raw military terms but has drastically lost influence because of its economic and political disorder. These are the new factors of power and weakness in world affairs.

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LETTERS TO THE EDITOR

Mussolini's Statecraft

In response to "Ally of Berlusconi Praises Mussolini as 'Greatest States-man'" (April 2) by Alan Cowell:

Gianfranco Fini, the Italian rightist leader, states that Mussolini was "the greatest statesman of this century."

beg to disagree. Mussolini was responsible for launching Italy into eight wars (against Ethio-pia, Republican Spain, Albania, France-Britain, Greece, Yugoslavia, the Soviet Union and the United States) in six years. May I also remind Mr. Fini that 'the greatest statesman" lost all his wars and/or all the territories acquired in

In so doing, Mussolini signed treaties of alliance with Hitler and the Japanese that were "aggressive," not "defensive," thus tying Italy to the Nazism of geno-cide and to the militarism of the attack on Pearl Harbor.

This is why I would give Mr. Fini an "F" in Modern History. ALESSANDRO CORTESE de BOSIS.

The writer, a former Italian ambassador, is president of the American Univer-

Effects of a Caning

Regardless of public opinion, the approaching caning in Singapore of Michael Fay, an 18-year-old American, will have the desired effect: deterrence. The media attention surrounding it has dramatically enhanced this effect. Singa-

pore no longer has the choice of rescinding the sentence. To do so would send a message that one can get away with it. DAN LoCASCIO. Ampang, Malaysia.

The Blackmun Legacy

Regarding "A Justice Busy Dealing With People" (Opinion, April 8) by Ellen Goodman:

Harry Blackmun - "a man of justice"? A man of justice for the millions of fetuses denied the right to come to term? A man of justice for all the women scarred by the memory of having ended the life in their wombs?

Justice Blackmun says he will carry the tag of "author of the abortion decision" to his grave. Indeed he will. JAMES SWETNAM.

America in Paris

Regarding "Paris American Center, With New Team, Plans June Opening" (Stage/Entertainment, April 6):

The glowing future of the Paris American Center portrayed in this article neglects the very dim future of the American Language Program, which was shut down on March 31. If "money itself is not the problem," as an American Center official is quoted as saying, I wonder why teaching American English should not be a vital part of the new center. For language professionals in Paris, as well as for students, it is a loss.

> LINDA THALMAN. Boullay-les-Troux, France.

Revere's Midnight Ride, Revisited

W AYLAND, Massachusetts — This Monday, Patriot's Day in America, was the anniversary of Paul Revere's ride in 1775. Every American has heard the story of that event; it is one of the shared memories that make us one people, diverse as we may be. But we haven't all remembered it the same way.

The best known version is still Long-fellow's poem of 1861, written to help the Union cause. He celebrated the midnight rider as a solitary hero, galloping alone to Concord. On the eve of the Civil War, the poem carried its own message: The actions of a single individual can turn the course of history.

After the failure of Reconstruction, a war-weary generation found a different message in the storytelling of Mark Twain, who had a great contempt for history, observing that "every year the antiquarians shed new darkness on the past." In an 1877 speech in Boston, Twain cruelly mocked Longfellow's poem, in the presence of the poet. Twain's stories also had a moral: Beware of stories with morals.

The generation of Theodore Roosevelt turned the silversmith into a military hero, calling him "Colonel Revere." Its purpose was to praise the martial virtues and celebrate selfless service to the nation-state.

That idea rang hollow after World War I, and a new breed of American, the historical "debunker," came into exis-tence around 1923. Some debunkers delighted in demonstrating that Revere never reached Concord; others suggested that he never rode at all. The moral for the debunking historian; Distrust the facts of history

The debunkers fell quiet in December 1941. Soon after, the hero of the midnight ride was revived by the novelist Esther Forbes in "Paul Revere and the World He Lived In." She made him into a "simple artizan" who rose nobly to great events. Her purpose was to cele-brate the ordinary American in an hour of extraordinary peril.

With the crusade against communism in the 1950s, Revere was converted into a Cold Warrior — a capitalist on horseback personifying the union of business and democracy. In his 1954 book "History's Hundred Greatest Events," William De Witt celebrated the event in those terms, placing the midnight ride alongside the Crucifizion and the Korean War.

After Vietnam and Watergate, the mood changed again, and the myth of the midnight ride was attacked with fury. The old debunkers of the 1920s had come mostly from the right and, with a light touch, had made Revere a figure of fun. The new iconoclasts were of the left —they raged against America and made the rider a symbol of evil. One iconoclast, the writer John Train,

told The Washington Post in 1980 that Revere was a "despicable" man who set out with two other guys for money ... turned stool pigeon and betrayed his two companions." None of this was true but a new American generation

ucts of poets, novelists, humorists and politicians. Historians have shown re-markably little interest in the subject, a neglect that is all the more surprising when one considers the abundant ources that remained untapped.

Revere's ride was part of the "Lexington Alarm," an event long remembered with the same vivid clarity with which Americans recall the afternoon of President John Kennedy's death and the Sunday of Pearl Harbor. More material diaries, pension records, legal deposi-tions, British officers' reports — sur-

MEANWHILE

vives from the Lexington Alarm than from any other event in early America. This evidence shows that the filiopietists and iconoclasts were far off the mark. Paul Revere was not a "simple artizan," but a figure of remarkable com-

plexity - the complexity of the nation

he helped to create. He was second-generation American on one side and old-stock Bostonian on the other, and his correspondence makes clear that he cherished both beginnings. He was the product of a Puritan City on a Hill and a lusty Atlantic scaport, both

being the same American town. He thought of himself as an artisan and a gentleman without the slightest contradiction - a new American attitude toward class.

He believed passionately in the rule of law, but did not hesitate to take the law into his own hands. He helped start a revolution, but his purpose was to pre-serve the values of the past.

Revere believed deeply in freedom but not in our modern conception of private rights, personal autonomy and individual nent. He and his friends wrote of their personal liberty and of the "liberty of Boston" and the "liberty of America," adding an idea of collective rights and individual responsibility.

He was an associating man, very different from Longfellow's historical loner. The Whig movement comprised many isolated, dissident organizations. A study of seven major revolutionary

groups in Boston shows that of 255 total members, 83 percent belonged to only one group. Only two men joined as many as five: Paul Revere and Joseph Warren, a physician who became a colonial general and was killed at Bunker Hill. They moved in more circles than any other Boston leaders and became linchpins of the Revolution. It was Revere's many connections that made him so useful on April 18, 1775.

In Boston, he organized a complex intelligence network that repeatedly disnupted British plans. Throughout New England he met with town leaders to create an alarm system. To warn of British movements, he arranged the display signal lanterns from Boston's tallest building —no easy task, as the Old North Church had a Tory minister. But Revere wanted desperately to disbelieve.

These divergent tales were the prodknew a Whig sexton and vestryman.

across the Charles River even though the British had seized all Bostonians' boats and blocked the way with warships. Revere organized a group of watermen who belped him escape, and his friends in Charlestown found him a horse that outraced his British pursuers. More than 60 riders helped him

spread the Lexington Alarm that night. They did not diminish Revere's role, for he set them in motion.

Paul Revere had other adventures that night. He was captured by a British patrol and released around three o'clock the next morning, in time to help John Hancock and Samuel Adams flee the British. At 4 A.M., he and an accomplice, John Lowell, rescued secret papers that Hancock had left in Lexington. At five o'clock, Revere was present on Lexington

Green when the first shots were fired. The fighting was not, as most Americans have been taught, a spontaneous ising of individual farmers. It was a ightly organized effort.

In the morning, the Massachusetts militia stood eight times in close formation or fixed positions against British regulars. Twice the British were broken. In the afternoon, when the British force grew to a brigade with artillery. the colonists changed tactics. They surrounded the retreating British troops with what the British commander, Lord Percy, called "a circle of fire" and held it for four hours — no small feat of com-

bat leadership. Afterward, Revere helped organize the second battle of Lexington and Concord — the contest for popular opinion. The Whigs of New England spread their version of events throughout America and Europe before the British government knew what had happened. This victory proved more decisive than the fighting itself.

Revere had a genius for collective ac-tion in the cause of freedom — a paradox closer to the heart of American history than the loners we love to cele-

brate and delight in debunking.

Americans on the political left might do well to remember the cause of freedom. Those on the right might reflect on the idea of collective action. Patriot's Day is an official holiday

only in Massachusetts and Maine. Perhaps it should be made a national holiday. When Paul Revere alarmed the Massachusetts countryside, he carried a message for all.

The writer, professor of American history at Brandeis University, is author of "Paul Revere's Ride" and "Albion's Seed." He contributed this comment to The New York Times.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

"BOOKS

SHADE OF THE RAIN-TREE: The Life and Death of Ross Lockridge Jr., Author of "Raintree County"

By Larry Lockridge. 499 pages. \$27.95. Viking.

Scott Donaldson

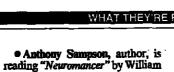
O N Jan. 5, 1948, Ross Lock-ridge Jr.'s first and only novel, "Raintree County," was published. The book, an unabashed attempt at the Great American Novel that ran to more than 1,000 pages, was an extraordinary success. It won the \$150,000 MGM novel prize was excerpted in Life, and was chosen as a main selection of the Book-ofthe-Month Club. Two months later, Lockridge went out to his garage in Bloomington, Indiana, turned on the motor of his new Kaiser, and asphyxiated himself. He was 33

years old. His suicide made the front page of The New York Times, and for a time author and book alike stayed in the news. Later the same month, the Philadelphia vice squad impounded copies of the novel as "obscene and biasphemous" (it's neither). In 1957 MGM made a bad film of the book with a good performance by Elizabeth Taylor. In his 1974 dual biography, "Ross and Tom," John Leggett compared Lockridge to Thomas Heggen, the young anthor of "Mister Roberts," whose death in 1949

was an apparent suicide.

By 1992, "Raintree County" was out of print and Ross Lockridge Jr. all but forgotten. His son Larry's "Shade of the Raintree" undertakes to bring both back in an authoritative biography that will correct what he calls Leggett's "novelization" and restore his father's reputation. (In Leggett's por-trait, Lockridge is a humorless and egotistical Midwestern bumpkin; his suicide is explained in sociological and Freudian terms.)

Ross was the youngest of four surviving children — an older brother had drowned on a Boy Scout outing — and very much the child of his parents. His father, Ross Sr., fashioned a career for himself as a popular historian of Indiana. He brought up Ross Jr. on heroes and heroism, and by the



"I think he writes marvelously, and he gives a terrifying but quite convincing picture of a future dominated by criminal multinationals. It is maybe not the way the world will emerge, but nevertheless it is oute an interesting warning." (Barry James, IHT)



time the boy was 15 had enlisted yearned for. He did everything he him as a working partner as the could to please them. He neither history show went on the road. drank nor smoked and was active in Young Rossie took dictation, mem-religious organizations. Though oborized speeches, and wrote copy on viously a young genius, he was popdemand. At 23, he tossed off 1,300 ular with other students, serving as lines of blank-verse doggered in a class president both in his junior and week to fulfill a commission for a senior years at Bloomington High

pageant in New Harmony.
Ross Sr. produced several homepun volumes on Indiana's past, skills, and at Indiana University but his one attempt at a novel was a carned his letter for cross-country

Elsie Lockridge was a instrated fiction writer, too, who transferred her ambitions to her son. An idealist and Christian Scientist, she demonstrated little affection for her children; they felt she valued them more for their accomplishments than for themselves.

To his father, Rossie was a convenient resource to be used. To his mother, he represented a second chance at the recognition she uxorious."

page manuscript into a suitcase and

School. He won state champion-ships for his shorthand and typing while compiling the highest grade-point average ever recorded there. He was a finalist for a Rhodes scholarship, and then - married to his high-school sweetheart - proceeded to Harvard on a graduate-school fellowship. As an English teacher at

pered, witty, helpful, nonsmoking, faithful to his wife, hard-working, once described as 'an unusually affable genius,' who befriended the blind and in passing rescued at least three people, one drowning, one fainting, one marooned." He was also driven by an obsessive idea -- that he could, and would, write a great book. It took him eight years, and a couple of false starts, but finally he completed the first draft of "Raintree County." On April 24, 1946, he stuffed his 2,000-

Uxorious he was, and also, ac-

cording to his son Larry, "even-tem-

at Houghton Mifflin. Lockridge was never happier than when working on the book, and never quite right afterward. His tortured dealings with his publisher and subsequent descent into depression make an unhappy but fascinating story, and Larry Lockridge tells it well, using the family records and other materials he dug out in his own long preparation for this biography. For half its length, "Shade of the Raintree" is workmanlike and sometimes dull, but the last 200 pages are first-rate. In his breakdown and collapse Ross Lockridge Jr. comes fully alive on

Scott Donaldson, who has written tives of Ernest Hemingway, Scott Fitzgerald, John Cheever and Archibald MacLeish, wrote this for The

Rd8 24 cb, Karpov had a winning

knight plus three pawns for a rook. After 24...Bf6 25 Ne4!, Topalov could not play 25...Bb2 because of 26 Rb1 Bd4 27 b6 Rf7 28 Ng5 Rf6 29 Qe7 Kg8 30 Qh7 Kf8 31 Qh8

Ke7 32 Rel Kd6 33 Qf6l Bf6 34

Karpov's sacrifice of rook for ishop with 28 Rd4! Rd4 denuded

the black king of a key defender

and he soon won two pawns. After

he took back a rook for his knight

with 36 Qa7 Qf6, he had a bishop

CHESS

Simmons College, he was much ad-

mired by his female students, one of

whom thought it a shame that

"someone who looked a little like

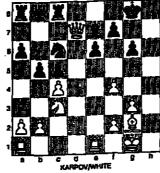
Tyrone Power was so goddamned

By Robert Byrne NATOLI KARPOV faced A Veselin Topalov in Round 4 in the Linares International Tournament in Spain. The game began by following a slow, steady positional course in an English Opening: after 10 Bf4. White has an advantage in central space, but the black do pawn, though exposed on a half-

open file, usually proves to be de-

When Topalov tried to chase away the queen bishop with 10...Nh5, Karpov allowed it to stand and be exchanged for a knight with 11 e3!? Nf4 12 ef. He had acquiesced in doubled f pawns, but his grip on the center was per-haps even enhanced by the transaction. Moreover, with the defensively strong black king knight gone, there was nothing to impede him from loosening the enemy king position with 15 h4, 16 h5 and 17 hg.

Topalov should have asked himself why Karpov did not lift a finger to prevent the counterattack with 16...b5. standard in such situawith 16...b5, standard in such situations. He got the answer quickly enough: 17 hg hg 18 Nc5! Now, 18...Be8 19 Na6! Ra6 20 cb Rb6 21 be wins a pawn for White because 21...Rb2? falls into a fatal trap with 22 c7! Qb6 23 Qb2 Qb2 24 c8/Q.



Position after 19... Rc8 The Bulgarian relied on 18...de 19 Qd7 Rc8, ready to counter 20 Bc6?! by 20_Ra7! But Karpov struck a tremendous blow with 20 Re6!, after which 20 fe 21 Qe6

Thus, Topalov tried 20...Ra7 but was immediately hammered by 21 23 Be4 [5 (or 23 Kg7 24 Qh7 Kf8 25 Qh8 mate) 24 Bf5 Kg7 25 Qh7 Kf8 26 Qh8 Kf7 27 Bc8 wins material while maintaining a decisive mating attack. After 21...fg 22 Qc6 Kg7 32 Bc6

and five pawns for a rook. Topalov lingered for a few moves and then gave up. Kg7 22 Bc6 will cost Black materi-

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Gl Police Say 6 Held and Beaten in **ANC Office**

JOHANNESBURG — The police said Monday that they would bring kidnapping and assault charges after six blacks were locked in a basement cage in an African National Congress regional office.

A police spokesman, Dave Bruce, said there was evidence that the six, one of them a 14-year-old, had been badly beaten. "We are investigating charges of man-stealing and assault with intent to cause grievous bodily harm," he said.

The ANC acknowledged the incident, but blamed a rogue security guard at its offices for the Pretoria-Witwatersrand-Vereeniging region. which includes Johannesburg, who had acted privately without the knowledge of the ANC. The ANC regional chairman,

Tokyo Sexwale, said a security guard at the building had been suspended "with immediate effect." The six were held in a cage in the basement of the building in central Johannesburg from late on Saturday night, Mr. Sexwale said. Mr. Bruce said the police were tipped off after one of the six escaped and alerted them.

Mr. Bruce said the police "had to subdue the guard and he has been arrested for pointing a fire-

"Two irate senior ANC officials arrived on the scene and have laid charges against the police," he add-

An Inkatha spokeswoman, Suzanne Vos, said party officials had spoken to some of the six, four of whom were Zulus. "None of them say they are members of Inkatha or any other party," she said.

"It is not the policy of the ANC to hold people against their will." an ANC spokesman said Monday.



A member of the National Peacekeeping Force patrolling in Tokoza township on Monday, where fighting broke out with Zulus. The force was set up to oversee elections.

Zulu Leaders Near Acceptance of Election Accord

PRETORIA — Political leaders indicated Monday that they might be on the verge of an agreement that would end the Zulu nationalist

boycott of elections next week. A government spokesman said a accepted by all three sides during talks involving President Frederik W. de Klerk, Chief Mangosuthu

Congress officials.

Mr. de Klerk and Chief Buthelezi were to discuss the proposal Tuesday with the ANC leader, Nelson Mandela, who was not present at the talks Monday. None of the proposal to end the boycott was participants gave specifics of the accepted by all three sides during plan, but Chief Buthelezi said clear progress had been made.

ist leader, and African National that he hoped to make an anelection ballot, but that the party nouncement Tuesday "that might Mr. de Klerk said of the talks, "I

am hopeful that something con-structive will come out of it." The government spokesman said

it was not too late for Chief Buthedelay the elections, which has been lezi's Inkatha Freedom Party to be included in South Africa's first all-I can say the discussions have race election April 26-28. Previous-

could be part of the voting for a ly winner of the election, will im-regional government in Natal Prov-pose a strong central government ince, which includes the KwaZulu and trample on Zulu rights. black homeland. Chief Buthelezi indicated Inkatha was dropping its demand to

consistently rejected by the ANC and the government. "I don't think there is any possibility of postponing the elections. although I would prefer a postponement," Chief Buthelezi said.

But I am realist. The talks were not announced in advance and followed the breakdown of international mediators' attempts last week to resolve the political deadlock.

Inkatha has said it is boycotting the elections and is demanding constitutional changes to give virtual autonomy for the Zulu heartland of KwaZulu-Natal in the postapartheid state. Chief Buthelezi

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to include Inkatha on the national and the Zulu king, Goodwill Zwe-election ballot, but that the party lethini, fear that the ANC, the likepose a strong central government

In another development, a South African news photographer was killed and two photographers for international news organizations were wounded in a crossfire between Zulus and members of the fledgling National Peacekeeping Force in Tokoza township on Mon-

The photographers were fired on while taking cover with troops of the National Peacekeeping Force, said João Silva, a photographer from The Associated Press who was with the victims.

In Johannesburg, meanwhile, the police sealed off part of the center of the city with barbed wire on Monday to block any attempt by Zulus to stage a banned anti-elec-

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New Egyptian Film Aims at Militants, **But Public Pans It**

By Chris Hedges New York Times Service

CAIRO - A tourist bus is raked with automatic-weapons fire. A video shop is firebombed. A Christian jewelry store is robbed, and a police official assassinated.

Rather than a litany of the latest attacks by Islamic militants, these episodes are taken from the opening scene of "The Terrorist," Egypt's first feature film to tackle the rise of Islamic fundamentalism.

The three-hour production heralds a campaign by Egypt's movie industry, the world's third largest, to counter the huge incursions by militant Islam into Arab society.

"This movie reveals, in a dramatic manner, the internal contradictions within the terrorist movement." said Minister of Information Safwat Sherif. "It illustrates that whenever anyone is allowed to see society clearly they give up extremism."

But many worry that the simple stereotyping of the militants by the state-controlled film industry, coupled with the portrayal of govern-ment officials as honest and efficient, could backfire.

"It is a ridiculous movie that fails to examine the underlying problems that create the militant movement and fails to offer any real solution," said Girgis Anton, 54, a businessman, after viewing the film at a Cairo movie theater.

The battle between the government and Islamic militants, who have a wide following in many poor villages and slums, has taken more than 350 lives and left 735 people

injured over the last two years. The movie has infuriated underground militant groups and was banned in Jordan after protests by Islamic organizations. The leading actor, the Arab world's most famous comic actor, Adel Imam, has received death threats and is now otected by a large security detail.

Vehicles are not allowed to park in front of cinemas where the film is playing for fear of car bombs. Moviegoers pass through metal detectors and are searched at the

door.
The Islamic Group, the principal fundamentalist organization, opened fire on a crowd of moviegoers at a foreign film festival in De-cember, killing a police officer. The group had condemned the event as a festival of nudity."

ined anti-elec- Many Egyptians have stayed (AP, Reuters) away from The Terrorist" out of

fear of similar attacks, and theaters are only half full. Several actors and actresses refused roles.

"The main aim of the fanatics is the destruction of our culture," said Mr. Imam. "And this is the first time we have grappled with this theme. Unfortunately, I am one of the few fighting the fanatic current. I often feel alone. The people with the bombs and weapons have frightened many away."

The film was released after a monthlong soap opera called "The Family" was shown on television. The serial depicted cynical militant leaders manipulating poor Egyptians in a bid to take power.

Egyptian officials have high hopes for their newest battlefront.

"The belated entry of cinema and television into the turmoil of opposition to terrorism will give millions of silent and confused viewers something beyond the official cliches to understand the phonomenon," wrote a columnist in the pro-government daily Al Ah-

What the film lacks in subtlety, it more than makes up for in bravado. Mr. Imam is seen at the start as a ruthless, sexually frustrated man named Ali ordered about by cow-ardly, rapacious militants. A sour grimace stamped on his bearded face, Ali carries out a series of terrorist attacks in which the suffering of widows and children loom large.

But Ali, on the lam, is struck by a car and taken in by a family whose affluence is in stark contrast to the impoverished existence of most Egyptians. They are kind, patriotic and tolerant to the point of incredulity, and be finds love - platonic with their daughter.

Ali repents, befriends a Christian neighbor and leaves the Islamic

In the final scene he staggers down a street, crying out to the family, as militants pump enough lead in his back to drop a water buffalo. They rush outside to cradle

the dying man in their arms.

The film often appears to be little more than a vehicle for a series of long-winded speeches about accepting sacrifices for Egypt and how Islam is supposed to be a peaceful faith.

It ignores issues like unemployment, political repression and housing shortages that many say contribute to the rise of Islamic

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Escada's tunic sweater patterned with huskies.

Under the Tents, A Husky Debut

EW YORK — Bounding along the stage in husky-patterned sweaters, models launched Escada's new sportswear line. The German house chose American fashion week to show its fall collection. "We think it is a great idea to be here under the tents," said

Escada's Wolfgang Ley. "We open in Europe very early - we finished selling two weeks ago." Ley said that he would like to show again in New York, but would not confirm the persistent rumor that Escada is planning to show in

In fact, the straightforward collection, by the designer Michael Stolzenburg, probably looked its best in New York, where most shows are not sending out creative fireworks. The show opened with a three-dimensional movie (the fashion pros wore complimentary goggles), followed by cavaliers in swashbuckling capes, feathered hats and Crusader boots. The costume-party look gave way to sturdy tailoring (cardigan jackets, gray flannel pants and quilted vests) or upscale sportswear, which meant shearling jackets and maxicoats.

The new Escada sport line (happy families in familiar weekend wear) included denim, a dash of shiny vinyl and the husky- or foxpatterned sweaters and parkas that are archetypal of the company's flamboyant mix-and-match separates.

Suzy Menkes

Waist Not: Ups and Downs of the Midriff

By Suzy Menkes international Herald Tribun

EW YORK - Waistlines have a habit of expanding and shrinking. Of rising and falling. And of inspiring puns.
"Waist of Money" was Franco Mos-

chino's ironic statement embroidered around the middle of a designer suit. Scarlett O'Hara's fabled 16-inch girth surely incited her beaux to exclaim "What a waist!" The exhibition devoted to the center of the torso at New York's Metropoli-tan Museum is called "Waist Not." It is subtitled "The Migration of the Waist, 1800-1960."

There have been fashion moments when waists were wanting. It would have been hard to find the natural middle in the 1920s, because waists had dropped to the hipline. The Empire line, as worn by Jane Austen heroines and Napoleon's Empress Josephine, sent waists scuttling for the bust. Up toward the armpits they rose again before World War I - and there may

be a significance in that. According to the late James Laver, a British historian, after a crisis in society (think French Revolution or global con-flict) waists are set in a spin. When society

settles back to normal, so does the waist. "In post-crisis periods, women's clothes tend to be straight in line, pale in color and with the waist in the wrong place - symbolic of the fact that post-crisis periods are never straitlaced either physically or mor-ally," Laver wrote in "Costume" in 1963.

So what do we make of the fall-winter New York season, where the waist was the focus of attention? And often the naked waist. Bare midriffs peeked from under cropped sweaters at Donna Karan. Flesh showed above low-slung wool-tulle skirts at Isaac Mizrahi. Over-the-knee coats were belted high on the ribs by Marc Jacobs. The waist disapppeared discreetly under Zoran's boxy tunics, but was on display above tiny A-line skirts in a cute schoolgirl look by Christian Francis Roth.

The waist seemed to float about in relationship to the hemline, as designers juggled and struggled to get the proportions right. So when Calvin Klein dropped his hemlines to just over the knee, the waist

R is there more to the middle of the body than meets the eye? Richard Martin, curator of the exhibition at the Met's Costume Institute, sees the waist as "an exceptional area" of the body — a malleable zone unprotected by bones over which it is poserotic zone, and Martin, in the scholarly essay in the exhibition catalogue, quotes Edmund Waller's 1664 love poem "On a Girdle," in which the lovelorn poet envies "that which her slender waist confin'd."

The ebb and flow of the waist starts at the beginning of the 19th century with the tiny torso and Empire waist above a long skinny skirt. By the era of Victorian crinoline, the waist was in its proper place, looking exceptionally slender under the spreading skirt. An 1899 American waist incher and rose-sprinkled French corset show that it is not just discipline and diet that draw in the curves. The final exhibition case shows Vivienne Westwood's recent revival of the corset that keeps popping up in collections from Chanel to Mizrahi.

Martin and Harold Koda, the associate curator, relate the dropped-waist dresses of the 1920s to the rectilinear forms of Cubist art, when "the body was conceived of as essentially two dimensional." They also see it as a reflection of the new liberty for women in society. The freeing of the body had begun when Paul Poiret loosened the silhonette in the early part of the century. His exotic oblong-shaped gold evening gown in the show is a precursor of the

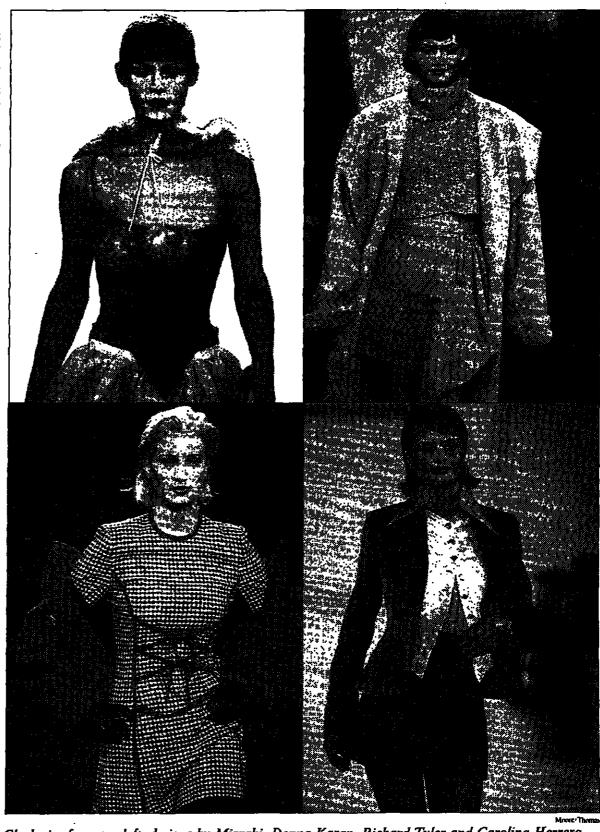
From then on, the exhibition follows the waist's ins and outs: the wasp-waist of Dior's famous 1947 New Look, with a jacket cinched in above padded hips and a full skirt. The same shape was briefly revived in Christian Lacroix's poulfe skirt of 1987, which figures in the show. Similarly, Cristobal Balenciaga's 1958 "sack" (in reality an elegant chemise) was echoed in 1965 by Pietre Cardin's graphic, waistless

THE bare midriff first appeared in the hippie era, with the low-slung pants and high-rise tops of the Woodstock crowd. Martin says that it was the first time in Western fashion history that the bared middle has been displayed - at least below the waist. The navels flashing through this season's inter-national collections have put a focus on the waist by baring it from ribcage to hips.

The Metropolitan's exhibition might have included a navel ring — high fashion among the supermodels. It also misses out on accessories: the belt has after all been a means of defining, shaping and giving fo-cus to the waist. Significantly this fashion season was not big on belts, although Caro-lina Herrera put lacing like a decorative corset on the outside of a day dress, and in Europe John Galliano proposed the wide Japanese obi sash to shape slinky 1930s-

Why should a woman's small waist be a standard of physical attraction? "Youth is perhaps the template for such beauty," unprotected by bones over which it is possible to take control. A fashionable waist becomes not just a fashion symbol, but also shapely waist. The bare midriff, requiring a a personal statement. It can even be an flat, boyish figure, is currently the ultimate goal — the holy grail of diets and exercise classes on which a modern woman chooses to waist her time.

"Waist Not" at the M of Art until Aug. 21.



Clockwise from top left, designs by Mizrahi, Donna Karan, Richard Tyler and Carolina Herrera.

'New Puritanism' at Milan Furniture Fair

By Suzanne Slesin New York Times Service

ILAN, Italy — Those who think that Milan is waning as center of the design world were Internazionale del Mobile, the giant annual furniture, lighting and accessories show.

One factor drawing foreign furniture buyers to the most influential marketplace of its kind in the world was the weakening lira, which has fallen about 50 percent since the fall of 1992.

It may be only in Milan that hundreds will stand in line to glimpse a new chair hanging 16 feet (4.8 meters) off the ground in semidarkness in an unfinished, cementcoated but oh so atmospheric furniture store (Driade, in this case).

Of course, it helps that the chair, a pastel plastic beauty called Lord Yo, is a wry offering from Philippe Starck, the French designer and in-

ternational superstar.

Shadowed by television crews and devotees, Starck talked about his new design as exemplifying his "old dream" of "democratic, affordable furniture." For Starck, who designed the Paramount in New York - a hotel, he said, with "no style but the rate of the the Lord Yo comes from everyone's "collective memory."
The chair, a modern descendant of the cozy Lloyd Loom design that was once a staple in the English country house pantry, will be sold

in the United States for about \$150. This year, the look at the fair comes from the convent, the sanatorium, the hospital and the schoolroom. It is a back-to-basics, nononsense aesthetic, which could be called "the new Puritanism." "Simple," "clean," "fresh," even "anti- for Flexform had all the right de-

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design" were the expressions to drop. Time to forget about the grand gesture, the big bang and maybe even about having a good time. It is included in the content of the co

A few years ago, Milan's design the trend-setting rational toward a more sensual, the design world were handmade, ethnic look. Now, like a naughty child caught in the act, it is coming back to its senses.

Some people, said Gilda Bojardi, the new editor in chief of Interni, a

Even the designs bordering on austere · often included the new essential: charm.

40-year-old design magazine, "have had trouble understanding that charm and design can go to-

But others do get it. They includ-

ed the designers who concentrated said. And he did. on such down-to-earth materials as cotton webbing and natural linen; those who cleverly move striped ticking from the mattress to the headboard; those who encourage the love affair of cast aluminum. pale wood and translucent plastic. dered on the austere, they often included the new essential of contemporary design: charm.

Once again, the Salone, which ended Sunday, was under the influence of two gold medalists: the French Starck, whose chairs at Driade, lamps at Flos and beds at Cassina are the focus of the fair. and the Italian Antonio Citterio. Citterio's room settings at B&B Italia are oases of perfection. And his Zanzibar collection of seating

Classic designs from the '50s, '60s and 70s were poised in the wings. aesthetic shifted from rigorous and rational toward a more sensual. Gaetano Pesce's 1969 huge red Sehandmade, ethnic look. Now, like a ries Up chair, with its ottoman in the shape of a beach ball? Well, it was back in full force.

So was classic Scandinavian style. The spirits of Alvar Aalto. Hans Wegner and Arne Jacobsen seem to hover about numerous tables and chairs, with white maple replacing the original teak and

The newcomer Tim Power's little neo-'50s chair for Zeritalia, with its tempered glass seat and back, was

especially appealing.
"My idea was not to redesign things from the beginning," said Power, 31, an American designer who worked for the Milanese design concern Sottsass Associati for four years before going out on his own. "I wanted to return to simplicity

in these post-Memphis times," he The old guard was not to be undone. "The young design is done here by people over 70." said Eleon-

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The master architect Vico Magistretti's work was very visible. His Ostenda chaise for Campeggi is an updated version of the old-fashioned chaises that lined sanatorium

Not surprisingly for commercialminded buyers, beds were ubiquitous, along with panoplies of new linens. But none were as definite in their point of view as Starck's eminently stark room-size bed "environments" for Cassina, with glass

partitions and clever bed tables

hospital or the convent." Why then were they double, queen and king-size? "These are the beds of God," Starck said. And who is God, then? "Why, me," he replied.

Goodnight, Philippe, and pleas

But please don't try to talk de-

sign. "It's a no-design, timeless bed," Starck said, "almost like the

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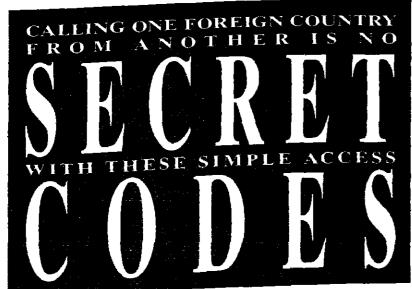
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Giulio Cappellini at his new store; Vico Magistretti chair; Antonio Citterio chaise. Whether you're trying to reach another country overseas, or call back to the U.S., Sprint Express" can help, Just dial the access code of the country you're in to reach an English-speaking Sprint operator. You don't even have to be a Sprint

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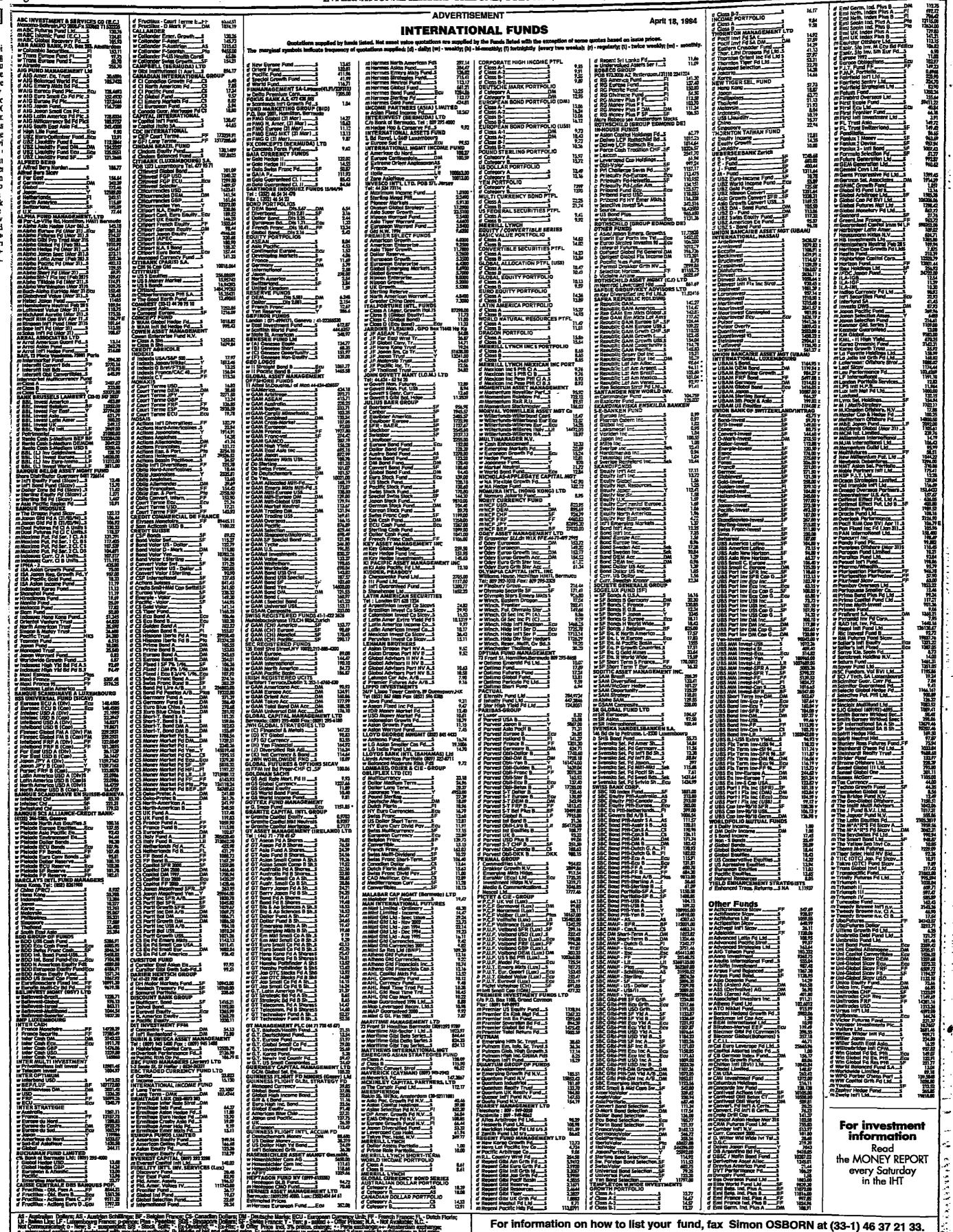
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Utilities	118.99	119.12	-0.11	Raw Materials	122.48	122.37	+0.09
Finance	117.36	117.17	+0.16	Consumer Goods	95.90	95.59	+0.32
Services	114.88	115.69	-0.70	Miscellaneous	124.04	124.72	-0.55

Greenspan Touches the Interest-Rate Brakes Again

NEW YORK - Determined to keep on top of inflation even before it reappears, the Federal Reserve Board chairman, Alan Greenspan, pushed up banks' cost of money on Monday, Leading banks responded by making loans more expensive for a wide range of customers.

Financial markets reacted to the Fed's increase in short-term interest rates with considerably less frenzy than they did to its two small rightening moves since Feb. 4. This, analysts said, indicated investors were getting used to the idea that the central bank will keep raising rates until the U.S. economy's growth slows.

"The Fed is not on some mission to cream the economy," said Sam Kahan of Fuji Securities. "It's like "Since businesses are on balancer the 3 percent where it stood when driving a car down a steep hill. You can slam on the brakes or just keep giving them a touch. They don't want to throw the economy off the

Still, after the Fed guided the federal funds rate a quarter point higher, to 3.75 percent, leading banks announced a half-point rise in the prime rate that they charge some of their best customers, move likely to cut into demand for consumer and business loans that are pegged to the prime.

The increase, to 6.75 percent from 6.25 percent, was announced by such major banks as Citicorp,

"Since businesses are on balance" debtors, this will reduce profits," Robert Dederick, chief economist at Northern Trust in Chicago, told

European markets fall after U.S. rate announcement. Page 11.

Bloomberg Business News. Almost half of the estimated \$2 trillion in business debt outstanding is variable and sensitive to shifts in interest rates. Because of the actions by the Fed and the banks, "business profits will be hurt," Mr. Dederick said.

The Fed's target for the federal funds rate, the rate banks charge

the squeeze started. The upward movement has gone more than half-way toward what is believed to be the Fed's goal of 4 to 4.5 percent. This means more to come — probably at the next meeting of the policy-making Federal Open Market Committee on May 17.

The stock market took a moderate hit on the news, with the Dow Jones industrial average falling immediately about 45 points. The Dow ended the day 41.05 lower, at

Bond prices fell by more than a point, which sent interest rates on

Investors are expected to stay on the sidelines until the Fed confirms the shape of its interest rate trajectory. "If you're a fund manager," said Robert Faulkner of Aubrey Lanston & Co., "you don't exactly

What the Fed seems to be target-ing now is not directly inflation but an unexpected speedup in the economy, which grew at an annual rate of 7 percent during the last quarter of 1993 and did not slow as much as expected during the first quarter of this year. Growth in gross domestic product now is estimated to have been at about 4 percent, while the

further your career right now by betting against the Fed."

30-year Treasury bonds up to 7.42 Fed's preferred growth range is just percent from 7.29 percent. Fed's preferred growth range is just below 3 percent — along a trend that it believes will relieve pressure to raise prices and wages. Hitting that economic sweet spot is just as hard in finance as it is in tennis.

Most on Wall Street had expected the central bank to wait until its next scheduled meeting May 17 to raise rates, but one who did not was John Lipsky, chief economist of Salomon Brothers Inc., who correctly predicted in his weekend market letter the central bank would move before then.

Mr. Lipsky noted that when the Federal Open Market Committee met in February, its growth fore-

See RATES, Page 12

Carmakers Find It's a Sellers' Market Rising U.S. Demand Catches Dealers With Empty Lots

By James Bennet

New York Times Service DETROIT --- What had seemed a stately recovery in the auto market turned into a boom this year, and some dealers' lots are emptying even as automakers are piling on the overtime to raise production. Particularly for buyers of four-wheel-drive vehicles and other light trucks, the wait for vehicles with the options they want can stretch beyond three months. I don't know how anyone could have antici-

pated the strength of this market," said Ron Sobrero, general sales and service manager for the Chevrolet division of General Motors Corp., which has long waiting lists for everything from sporty Camaro coupes and convertibles to the colossal Suburban station wagons. As dealers sense a sellers' market, the prices customers pay are rising, in some cases over the sticker price. Economists predict that the impact on the overall inflation rate is likely to be mild. But the government says its method of calculating inflation may not fully reflect the surging interest in pickup trucks, minivans and

Shortages in the auto industry, which occurred in other economic recoveries in the 1970s and 1980s, illustrate the strength of the economy, said David L. Littmann, economist with Comerica Bank. "It's highly significant, because it represents

four-wheel-drive vehicles.

perhaps most clearly the confidence of the consumer," he said. In February, for the first time since the government began tracking the data, the Amer-

ican auto industry was operating at more than

100 percent of existing factory capacity for

gusy Auto Makers The perceptage of that and track incline operate officer by toleign and dentestic applications are in the United Stelles.

production of cars and light trucks. By paying more overtime and taking other steps, the auto makers say they can wring out vehicles at a rate of 120 percent of capacity.
In November 1978, the record for capacity

utilization before January 1994, automakers

used more than 92 percent of their factories.

After the brutal plant closings of the 1980s, the automakers were reinctant to expand, an attitude that auto industry analysts say is

"In the very short term, it's a small problem, but generally speaking I think it's a good thing," said John Casesa, the auto industry analyst for Wertheim Schroder & Co. in New York. "The guys who run the Big Three recognize that this will not last, and they're not going to rush out and build new plants."

The domestic automakers are caught in a bind. Because American and Japanese plants in the United States can make only so many cars and trucks, sales growth is likely to slow this

spring.
But while they are scrambling to bolster worker productivity and eliminate production bottlenecks, the companies are loath to add the

factory space that is so costly to idle later.

Switching over an existing plant to assemble a new vehicle — let alone building a new factory — is a lengthy, expensive proposition. For example, to make more of its popular Explorer sport-utility vehicles, Ford Motor Co. plans to outfit a St. Louis assembly plant that now makes a rear-wheel-drive minivan. To make the switch, part of the plant will shut in August; the first Explorer is not scheduled to roll off the line until January 1995. Ford, which many analysts regard as one of the world's most efficient automakers, says the changeover will cost \$400 million.

By raising the prices of Japanese imports well above their American-built rivals, the strong See CARS, Page 13

'Phantom' Trades Cost GE's Kidder \$210 Million

NEW YORK - Kidder, Peabody & Co. said Monday it would take a \$210 million charge against first-quarter earnings because its head gov-

ernment bond trader had made phantom" trades of U.S. Treavery bonds that inflated profits. The General Electric Co. subsidiary, which said it would post a first-quarter loss as a result, said it had fired the trader, Joseph Jett, and given six other employees "special as-signments" until it completed

an investigation. John F. Welch Jr., the GE chairman, called the false trades a "reprehensible scheme" that violated "everything we believe in and stand for."

GE said its first-quarter profit after the charge would be "close to" the \$1.08 billion it earned from continuing operations in the year-earlier quarter. The electrical, defense, broad-

casting and financial-services conglomerate had said Kidder and its other finance businesses would post "excellent" profit for the first quarter and that earnings per share would be up as much as 11 percent.

Mr. Jett, 36, a managing direc-tor, had worked at Kidder for tions at other Wall Street firms. He could not be reached for comment on Monday.

The alleged "phantom trades" involved so-called Treasury strips. These are securities that are created by separating the principal and interest payments on U.S. bonds and repackaging them as separate securities. They are zero-coupon bonds, which are sold at a discount to their face value rather than paying

Michael Carpenter, Kidder's chairman and chief executive, said the scheme of phantom trades appeared to have been devised to improve Mr. Jett's performance record.

Mr. Jett's performance-based compensation last year was more than \$9 million -- "one of

the highest at the firm," Mr. Carpenter said. Kidder executives said they did not know by how much Mr.

flated earnings. Mr. Carpenter said the false trades had been entered in the company's own accounts and did not involve any Kidder clients. He also said they were unrelated to trading in mortgagebacked bonds or derivatives securities backed by other assets,

Jett's alleged activities had in-

The false trades violated 'everything we believe in and stand for. John F. Welch Jr.,

including bonds - or to general

GE's chairman.

market conditions. Kidder said it had learned the extent of Mr. Jett's trading late last week while trying to reconcile records of the firm's trades in Treasury strips.

"In the scheme, a large numtered over more than a year, creating paper profits unrelated to trading performance." Kidder

Mr. Jett allegedly was able to profit from an accounting fea-ture of Kidder's trading system that recorded the difference between the current price of a strip security and its future value as a DIOFIL.

To take advantage of that, a Kidder executive said, Mr. Jett sold forward contracts - or promises to buy or sell strips at a designated price on a set date and then purchased the actual securities.

That was profitable because zero-conpon bonds become more valuable as their maturity approaches.

Thinking Ahead /Commentary

Better German Leadership Than None

By Reginald Dale ai Herald Tribune

ASHINGTON - What Europe needs is a 1950s revival in terms of political leadership, that is. In the aftermath of World War II, a group of visionaries started the drive to European unity in order to make future wars in Western Europe impossible.

Now the Cold War is over and the continent's overriding historical imperative is to ensure Europe is never divided again. But most West Europeans are bogged down in their own domestic problems and are lamentably failing to rise to the occasion.

The fact is that the only place where En-

rope looks like finding the leadership it needs for better or worse - is Germany. Today's German leaders may not be the Fathers of Europe of the 1950s. But, whether

in government or opposition, they at least see that it is argent to bring Central and Eastern Europe into the Western fold. Others, especially in France and Britain, suspect that Germany is championing the Union's eastward expansion for essentially

selfish reasons: to establish a huge zone of

German influence in central Europe. They are at least partly right. But in this case Germany's interests and those of Europe coincide. Particularly to the East of the old Iron Curtain, there is a grow-(ing realization that if Germany does not accelerate the move to a truly united Europe,

the historic opportunity may be lost.

With NATO membership ruled out for the foreseeable future, the Central and East European countries have come to see the European Union as their main lifeline to the West. And Germany, unlike Britain, is proposing

what the ex-Communist nations want, a tightly integrated union from which it would be difficult to dislodge them.

Ironically, the much-maligned bureaucrats of the European Commission have been quicker to grasp the scale of the challenge than most of the Union's politicians.

The Commission plans to exploit Germany's presidency of the Union in the second half of this year by launching a drive to

Bonn politicians understand that it is urgent to bring Central and Eastern Europe into the Western fold.

broaden and strengthen the Union's links with the East.

Despite much criticism of the European Union, two points need to be made clear: The trade treatment so far accorded the Central and East Europeans is not as miserly as is often made out, and there is unfortunately no way Moscow's former satellites can be given mediate Union membership.

The Central and East European countries could not yet begin to apply EU rules in fields like competition policy, agriculture and the environment, let alone economic and monetary policy.

The Union has to prepare carefully for expansion if it is not to endanger the gains of the past 40 years. It already has to absorb up

to four new members — Austria, Sweden, Norway and Finland — next year. But there is an urgent need for what Brus-

sels officials call a "pre-accession strategy" that would both prepare the Central and East European countries for membership as rapidly as possible and let Moscow know they are already being incorporated irrevocably into

The 12 Union governments should stop dragging their feet over promises to hold joint ministerial meetings with the Central and East Europeans on everything from foreign policy to new transportation links. For those applying for membership, as Hungary and Poland did this month, the Union should make it abundantly clear that entry

procedures are already under way. The East Europeans can help by making their laws conform with those of the Union and starting to align their economic and monetary policies. Now that they have negottated free-trade pacts with the Union, they should introduce free trade among themselves.

All governments, both East and West, should begin thinking on a Pan-European scale. They should start tackling common problems - such as agriculture and steel as if the Union already included at least the six Central and East European nations (Hungary, Poland, the Czech Republic, Slovakia, Igaria and Romania) that have been prom-

ised future membership.

Meanwhile, if they cannot lead themselves, the other EU members should swallow their qualms about German leadership. It is much better than none. In this case, like General Motors and America, what is good for Ger-many is good for Europe, too.

GEC Alsthom Clinches **Korean Train Contract** "Of course not," he said, "Had that been the case, we wouldn't have

gone for it."

He said that GEC Alsthom

would be able to maintain its initial

profit margin because South Kore-

an companies have a larger share of

the contract than originally

planned and this means that con-

Analysts were concerned, how-

ever, that the transfer of technology

stipulated in the contract might al-

low the South Korean companies

to compete in a few years with

GEC Alsthom for fast-train con-

tracts everywhere in the world ex-cept in Europe and North America. The agreement, which is to be signed after the South Korean gov-

significant rebate.

struction costs will be lower.

PARIS - GEC Aisthom signed a 12 billion French franc (\$2.05 billion) contract on Monday to equip a high-speed rail line in South Korea in a victory that analysts said would do more good to its image than to its balance sheet.

The Franco-British engineering company, a joint venture between Alcatel Alsthom of France and General Electric Co. of Britain, and the Korean High-Speed Rail Construction Authority said they signed a letter of intent on the equipment for a line extending 432 kilometers (270 miles) between Seoul, the capital, and the port of Pusan.

It capped months of tough nego-tiations in which GEC Alsthom, declared "preferred bidder" last August, cut its initial bid by at least 10 percent. South Korean companies will receive orders accounting for at least half the value of the contract. They include Hyundai Precision & Industries Co, Daewoo Heavy Industries Co., and Hanjin Heavy Industries Co.

Pierre Suard, chairman of Alcatel Alsthom, said the company was not losing money on the contract.

Economic Growth Ebbs In China

Compiled by Our Staff From Dispatches BELJING — Economic growth in China slowed in the first quarter of the year but prices soared, throwing into doubt the feasibility of the government's goal of keeping growth and inflation below 10 percent this year. The government said Monday

that gross domestic product rose 12.7 percent in the first quarter, to 862 billion yuan (\$99 billion), compared with 14.1 percent in the corresponding period last year and 13.4 percent for the whole of 1993. The slowing was mostly caused by weaker industrial growth and

capital investment, said Ye Zhen, a spokesman for the State Statistical Bureau. Industrial production rose 16 percent in the quarter, compared with 25 percent in the first quarter

more reasonable levels of fixed

of 1993. Fixed capital investment largely responsible for last year's overheating of the economy and the resulting austerity measures— grew by 36.2 percent, which was half the speed of the same period last year.

"Economic growth has indeed slowed slightly," said a Western who specializes in eco-(AFP, Reuters) nomics.



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CURRENCY & INTEREST RATES

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Key Money Rates

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MARKET DIARY

Blue Chips Plunge As Rate Rise Bites

Compiled by Our Staff From Dupatches NEW YORK - U.S. stocks slid Monday after the Federal Reserve Board pushed up interest rates for next few days, she said. the third time since Feb. 4, dashing hopes that first-quarter earnings would spark a rally anytime soon.

"The Fed has ensured that this sort of Chinese water torture will

U.S. Stocks

continue," said Eugene Peroni, an analyst at Janney Montgomery Scott. "Such policy can only contribute to continued instability of

The Dow Jones industrial average plunged as much as 47.59 points, to a low of 3,613.88, before recovering slightly to close at 3,620.42, down 41.05 points for the day. The Dow Jones industrial average has fallen about 9 percent from its all-time high on Jan. 31.

The yield on the benchmark 30year Treasury bond surged as high as 7.43 percent before settling back to 7.41 percent. It had closed on Friday at 7.29 percent.

Losers outnumbered gainers by 13 to 4 on the New York Stock Exchange and volume totaled 271.45 million shares, down from 308.13 million on Friday.

"I think that just like the first Fed tightening was well publicized, this one too has been well-publicized and well-forecast," said Gail

S.G. Warburg & Co. "We expect stocks will follow bonds" over the

The decline was led by shares of General Electric, which fell 1% to 94% after its Kidder, Peabody brokerage unit said it would take a first quarter charge.

Mr. Brown said he still expected first-quarter earnings to be strong, but that many companies' stock prices already reflect earnings optimism. "Some of them will be pretty good, but a lot of that has already been discounted," said Mr. Brown. "I am not sure where we can go from here.'

Companies expected to release earnings this week include General Dynamics, Kellogg, Sears Roebuck, Westinghouse Electric, Bristol-Myers Squibb, and Blockbuster Entertainment.

Among other notable losses, United Technologies Corp. slumped 1% to 64% after it reported earnings of 71 cents a share in the first quarter, up from 42 cents a year earlier.

Shares of McDonnell Douglas countered the current and rose 2% to 114% after the company said earnings showed a strong gain.

Platinum Software shares col-lapsed, falling by 6 7/16 to 3 9/16. The company said it expected to post a "substantial" loss in its third quarter and would restate earnings for the five previous quarters.
(Bloomberg, Knight-Ridder)

RATES: Fed Tightens a Notch

Continued from Page 11

cast for the year was 3 to 3.25 percent, "and it's now clear that there's more juice in there, which meant they had almost certainly failed to achieve their goals, so they had to move quickly to maintain

A Fed spokesman said Mr. Greenspan made the decision on his own after consulting members

Foreign Exchange

by telephone but not bothering to call for a vote. He thus publicly asserted his authority and deliberately contradicted rumors and some published reports that he had fallen under the thumb of his own committee and could not act with-

Henry Kaufman, the Wall Street money manager who used to be known as Dr. Doom, said he expected the federal funds rate to stand at 4.5 percent at the end of the year, "but that won't be the end of the world."

"It will not stop the economic advance," he added. "The private sector and households have worked down their debt, and it's still cheaper to borrow at short rates

■ Other Markets Hit Dollar The dollar was lower all around in late trading amid concerns about weak U.S. stocks and bonds, news agencies reported from New York.

"Declining stocks and bonds really hurt the dollar today," said Karl Halligan, a trader at ING Capital Markets. "Higher rates will help the dollar in the future." he said but they will not do any good until investors are more willing to buy U.S. securities.

The dollar closed at 1.7080 Deutsche marks, down from 1.7145 at Friday's close, and fell to 103.20 yen from 103.45 yen on Friday. The U.S. currency subsided to 1.4475 Swiss francs from 1.4550 francs, and to 5.8465 French francs from 5.8615 francs. The pound rose to \$1,4765 from \$1.4720.

The dollar weakened against the yen on concerns regarding the U.S. Treasury's perceived desire to see the dollar fall further against the Japanese currency. This sentiment persists despite protestations by Treasury Secretary Lloyd Bentsen over the weekend that the United States is not seeking to manage foreign-exchange rates

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U.S. Rate Move Alters European Markets' Good Mood

LONDON - European stock and bond prices tumbled Monday after the U.S. Federal Reserve Board said it planned to raise shortterm interest rates for the third time this year. Stocks fell and bond yields rose amid concern that higher interest rates on U.S. bonds

would lure money out of other markets. "The Fed's poured a pound of salt into an open wound," said Chris Anthony, head of sterling bond research at Hoare Govett Securities Ltd. "It's a bit of a shame. It all seemed to be coming right, then the Fed put the boot in," he added, echoing other analysts' reaction that

the Fed's move had scuttled the trend toward rally based on hopes of French interest-rate lower interest rates in Europe that buoyed

In London, the Financial Times-Stock Exchange 100-share index fell 30.1 points, or 0.95 percent, to 3,138.20. Glaxo Holdings PLC declined 16 pence to 559 pence (\$8) a share, and HSBC Holdings PLC lost 15 to 786.

Analysts said the rise in U.S. rates had killed an incipient rally in British stocks on speculation that U.K. interest rates might soon be cut.

cuts also faded.

German stocks fell back in late trading, but still ended higher on the day as investors remained confident of Germany's economic recovery, traders said.

The DAX index of 30 German blue-chip stocks, which slipped 10.44 points in afterhours trading ended the official session at 2.228.78, up 1.3 percent.

In France, the CAC-40 held onto a gain of 0.47 point, ending at 2,160.06, but it had retreated from a high for the day of 2,188.61, as a closed 3.69 points lower, at 421.43. The SMI Index in Zurich fell 3.8 points, to

U.S./AT THE CLOSE

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Till

Accounting Charge Hits NationsBank

NEW YORK (Combined Dispatches) — Chase Manhattan Corp. said Mew YORK (Combined Dispatches)—Chase manuation Corp. Said Monday its first-quarter earnings jumped in step with an improvement in credit quality, while NationsBank Corp.'s net income slipped as strong revenue was offset by a charge to cover an accounting change in the year-

NationsBank, the third-largest U.S. bank, earned a net \$417 million in the quarter, down from \$481 million a year ago. The results were skewed because the year-ago period does not take into account a \$200 million charge to cover an accounting change. Net interest income rose 19.3 percent in the quarter, to \$1.3 billion, while the bank reduced its loan-loss provision to \$100 million from \$120 million.

Chase Manhattan, the sixth-largest U.S. bank, earned a net \$364 million in the quarter, more than double the \$153 million earned during the first quarter of 1993, as it reduced its provision for possible credit losses to \$160 million from \$360 million. Fees and commissions totaled \$446 million, up 22 percent, amid gains in consumer-banking, credit-card and mortgage-banking lees.

Ad Sales Narrow Time Warner Loss

NEW YORK (Bloomberg) - Time Warner Inc., paced by strong advertising gains in its magazine group, said Monday its first-quarter loss

The media and entertainment company reported a loss of \$54 million compared with \$124 million a year earlier.

Increased cash flow from Time Warner's publishing, film and Home Box Office cable programming operations made up for declines in its cable transmission systems business.

Coke Earnings Gain on Sales Jump

ATLANTA (AP) - Coca-Cola Co. said Monday that first-quarter profits rose 18 percent on a 10 percent gain in sales. In the three months ended March 31, the soft-drink maker earned a record \$521 million, compared with \$442 million in the similar period a year earlier. Revenue for the first quarter was \$3.35 billion, which included a 6 percent increase in international soft-drink sales and a 7 percent jump in U.S. sales.

Commissions Lift Merrill Earnings

NEW YORK (Bloomberg) - Despite rising U.S. interest rates that disrupted stock and bond markets, Merrill Lynch & Co. said Monday its first-quarter earnings rose 21 percent, to a record \$372 million. Merrill said a 20 percent rise in commission revenue helped the bottom line. Asset-management fees rose 23 percent, to \$444 million, as clients' assets under management increased 13 percent, to \$164 billion.

McDonnell Douglas Earnings Rise

ST. LOUIS (Bloomberg) - McDonnell Douglas Corp. said Monday its operating profit rose 43 percent in the first quarter, boosted by record earnings in its military aircraft business. The company earned \$134 million, compared with profit from continu-

ing operations of \$94 million a year ago.

Revenue fell 18 percent, to \$2.95 billion, led by a 53 percent decline in the commercial aircraft segment. Revenue in military aircraft rose 10 percent, to \$1.82 billion.

For the Record

Ameritech Corp. said Monday that its first quarter profit fell 85.4 percent, mostly because of charges related to the elimination of 6,000 jobs, while US West Inc. earned a net \$324 million in the quarter, up from \$316 million in the year-ago period.

Whirlpool Corp. said Monday it earned \$67 million in the first quarter, reversing from a loss of \$162 million in the year-ago period, helped by a 3

Intel Corp. said Monday it earned a record \$617 million in the first quarter, compared with \$548 million in the year-ago period, on record shipments of computer chips and higher prices for its microprocessors.

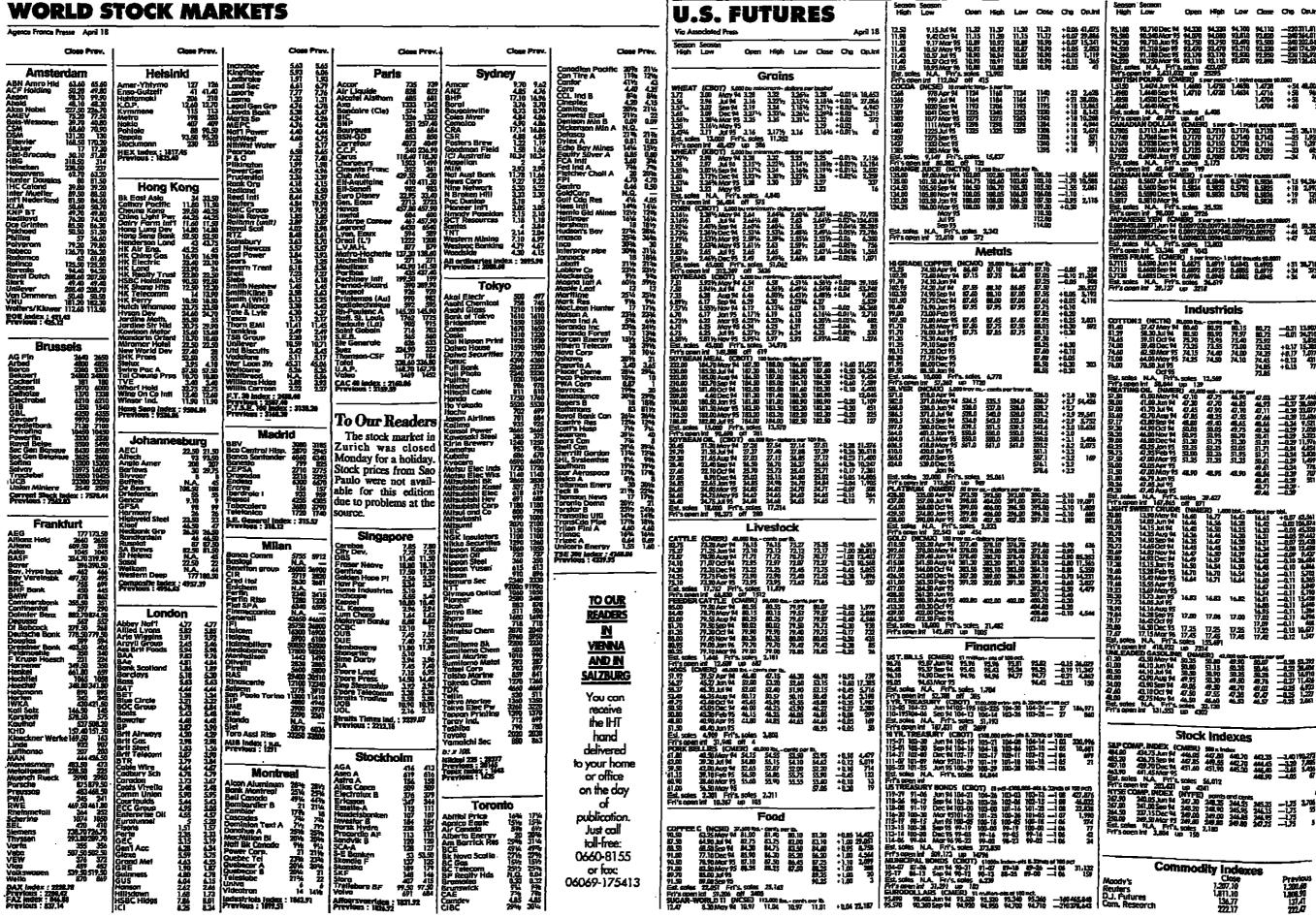
Weekend Box Office

The Associated Press

LOS ANGELES — "Four Weddings and a Funeral" dominated the U. S. box office with a gross of \$4.3 million over the weekend. Following are the Top 10 moneymakers, based on Friday ticket sales and estimated sales for Saturday and Sunday.

1. "Four Waddings and a Fu 2. "Cors and Robbersons" 3. "The Paper" \$4.3 million \$3.8 million \$3.3 million \$3.2 million (Gramercy) (Trisiar) 4 "Molor League II"
4 "Molor League II"
5 "D2 The Mighty Docks"
5 "Surviving the Game"
7 "Threesome"; (Womer Brothers) (Watt Disney) \$3.2 million \$2.9 million \$2.7 million \$2.4 million \$2.3 million \$2 million (New Line Cin (Tristor) "White Fong 2 Schindler's List Noked Gun 33%

WORLD STOCK MARKETS



Page 13 EUROPE

Schneider Hit With Personal **Bankruptcy Suits**

FRANKFURT — Bankruptcy proceedings were launched on Monday by two banks against Jürgen Schneider and his wife as the fugitive property magnate's crippled real-estate empire continued to unravel

Time Warmert

Secretary and July

Meanwhile, Mr. Schneider's largest bank creditor, Deutsche Bank AG, defended itself against accusations that it had not informed authorities quickly enough of his real estate company's acute financial problems.

Deutsche Bank also revealed that it was owed 1.2 billion Deutsche marks (\$701 million) by the company. In a written statement, it said it had financed the development of eight of the 75 projects undertaken by Dr. Jürgen Schneider AG, Mr. Schneider's company.

Regarding the bankruptcy proceedings, Deutsche Bank and Bayerische Hypotheken- & Wechselbank AG, another large German bank, filed the case on Monday in the district court in the town of Königstein, where Mr. Schnieder's company is based.

Earlier on Monday, Technoteam Bauconsult AG, the Schneider subsidiary that carried out the building projects, filed for bankruptcy. Mr. Schneider's main operating compa-

Germany to Post Rise in Output

Bloomberg Business News BONN - The government ex-

pects to report a rise in first-quarter gross domestic product as the recovery in Western Germany strengthened while growth in the East gained momentum, the Eco-nomics Ministry said Monday in a summary of its monthly report.

The ministry also said it expected inflation to slow this year. Western Germany's inflation rate fell to 3.2 percent in March from 3.4 percent in February.

The ministry said an improved business climate, rising manufacturing orders and increased construction activity since the beginning of the year supported its view of recovery in Western Germany. In Eastern Germany, industrial production was up 16 percent in the first two months of 1994 from a year earlier, construction orders surged 29 percent, and retail sales rose 9 percent.

The whereabouts of Mr. Schneider, who is being investigated on suspicion of fraud, remained unknown. He disappeared over a week ago, leaving the company with bank debts of 5 billion Deutsche marks and unpaid bills of around 250 million DM.

The Frankfurt state prosecutor's office indirectly cricitized Deutsche Bank over the weekend, saving it was "bizarre" that the bank had not informed authorities more quickly about the problems.

The bank defended itself against these charges by saying that it had only learned in a letter written on April 4 and received on April 7 that the company had acute problems. The bank said it had immediate-

ly launched its own investigation, during which suspicions emerged that Mr. Schneider may have acted fraudulently and falsified docu-

On Sunday, April 10, Deutsche Bank rejected a request from Mr. Schneider for a bridging loan for

his company.

At the same time, the bank started to suspect that Mr. Schneider had actually absconded and had not simply left the country on the advice of his doctors, as he had claimed.

"The following two days were used for further internal clarification of the situation and for talks with other banks," Deutsche Bank

On Wednesday, Deutsche Bank launched its own suit against Mr. Schneider and offered to help the public prosecutor's office with its investigations.

"I do not see what is bizarre about this," a Deutsche Bank spokesman added. He said all Deutsche had been told was that the company had difficulties and the bank had then investigated these. It had later made a complaint to the prosecutor and offered to help further if required.

Bank creditors have said they would form a group to examine which of Mr. Schneider's building projects can be continued in a bid to limit the damage to thousands of small companies.

In an interview with German radio, Economics Minister Günter Retrodt said German banks had a "I'm encouraged by what's been going on in special moral responsibility not to the last few mouths," Mr. Summers said. "I'm let small and medium-sized com-panieshit by the collapse of Mr. encouraged by lower inflation and I'm encour-aged by moves to cut the budget deficit. The Schneider's property empire fail. central bank has (Reuters, Bloomberg) controlling credit.

Portugal Plows Ahead **Small Stock Market Posts Big Gains**

MADRID - Investors in Portugal's small but booming stock market were barely ruffled when rising American interest rates sent most European markets into turmoil last month. Never mind the bears on Wall Street, they said, forget the volatility in Madrid; Portugal is on its own cycle.

Foreign investment and fall-ing local interest rates have been fueling a rally that began more than a year ago and that some say is likely to continue, albeit at a slower pace.
The Lisbon stock market's

BVL index, which soared 53 per-cent in 1993, continued to climb early this year, reaching 999.46 on Feb. 18 — its highest since October 1989, the last time the index was above 1,000 points. Analysts call its easing over

the last two months an overdue

technical correction and still expect it to move generally higher.
Though the Lisbon exchange,
which some international mutual funds classify as an emerging market, is small and narrow by European standards, money has been pouring in.

Over the last year, the volume of trading has almost tripled in local-currency terms, to 56.05 trillion escudos (\$321 million)

The amount of money coming in is really tremendous," said Francisco D'Orey, a trader at

ST PETERSBURG — Western officials gave

Russia's economic reform program approval

Monday, praising the country's commitment to

cutting inflation and slashing its budget deficit.

Russia is to expect more financial support from

Western governments and lending institutions.

Reconstruction and Development here, Law-

rence Summers, the undersecretary of the U.S.

Treasury, said he was encouraged by comments from Prime Minister Viktor S. Chernomyrdin

Mr. Chernomyrdin met officials from the

Group of Seven industrialized countries -

Britain, Canada, France, Germany, Italy, Ja-

pan and the United States - for informal talks

encouraged by lower inflation and I'm encour-

central bank has a new religion in terms of

that reforms would stay on track.

on Sunday night.

But they warned that reform must continue if

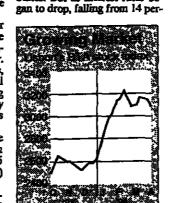
At a meeting of the European Bank for

Mello Valores, a Lisbon broker-age firm. In three years, he said, dealy trading volume had jumped tenfold, to more than 3 billion the rally.

In dollar terms, daily trading has jumped to the range of \$15 million to \$20 million, compared with \$5 million to \$10 million in the first half of last year.

Many analysts agree that changes made in late 1991 gave Portugal's market more international credibility. Insider trading was outlawed, and automation increased the market's liquidity.

Brokers acknowledged that the first six months of 1993 were driven by frenzied foreign investment, especially from the United States. But as interest rates began to drop, falling from 14 per-



Russia Reforms Draw Western Praise

credit provided by the Russian central bank was one factor behind Russian inflation of 2,600

But inflation has subsided as inflation-ad-

Kenneth Clarke, Britam's chancellor of the

The Russian central bank refinancing rate

exchequer, said it was important for Russia to

stands at 210 percent, or 17.5 percent per

month. Consumer prices rose 8.7 percent in March, and Mr. Chemomyrdin said Monday he expected April's inflation rate to be similar.

Recent Russian policy has been targeted to-

ward meeting conditions from the Internation-

al Monetary Fund to receive a new \$1.5 billion

loan. Mr. Summers said be expected the IMF

board to approve the loan Wednesday.

But one result of tighter central bank credit

to Russian enterprises is likely to be rising unemployment and worsening social condi-

tions. The government, under pressure from industrial and agricultural lobbies to boost

justed interest rates -long lower than headline

percent in 1992 and 9,000 percent last year.

ifiation rates — became positive.

keep interest rates higher than inflation.

cent last year to just under 9 percent in March, local institutional investors jumped in to join

"With risk-free high returns on T-bonds, mutual funds had no time for equity portfolios," said Eduardo Stock da Cunha of Banco Santander de Negócios, a Spanish merchant bank in Lisbon. Now, he said, "funds managed by our asset-management company went up by 200 percent in 1993 and we set up two stock market funds in six months."

Prime Minister Anibal Cavaco Silva said in March that rates could fall a further two percentage points by year's end. Infla-tion, currently 6.1 percent, is expected to ease to between 4.5 percent and 5.5 percent by the end of 1994

The Finance Ministry, meanwhile, says it is determined to push its privatization program. Four companies — two cement makers, Secil and Cimentos de Portugal EP, and two paper and pulp companies, Celbi and Em-presa de Celulose e Papel e Portugal SA - will be on the market by summer.

Electricidade de Portugal EP, Portugal Telecom and Petróleos de Portugal are scheduled for sale to investors in 1995. The Finance Ministry predicts that these three giants alone will increase market capitalization by 5 percent.

Berlusconi Loosens **Media Reins**

AFP-Extel News ROME — Arnoldo Mondadori Editore SpA said Monday it was buying all of the publishing and printing activities of Silvio Berluscone Editore SpA and would offer 51.15 percent of the company to

foreign and Italian investors. Meanwhile, Fininvest SpA, the company controlled by Silvio Berhisconi that acquired a majority stake in Mondadori in 1991, said it would reduce that stake to 47 per-cent from 98 percent by selling

shares on the stock exchange. Mr. Berlusconi, the leading candidate to become Italy's next prime minister, has said he would put Fininvest into a blind trust if he wins the office.

Mondadori said the acquisition would cost about 490 billion lire (\$30 million). Trading in Mondadori shares have been suspended

since Wednesday.

Mondadori will issue 33 million shares, raising nominal capital to 128.9 billion lire from 95.9 billion. These shares will be added to the 33 million Mondadori shares held by Silvio Berlusconi Editore to comprise the 51.15 percent of Monda-

dori offered to the public.

The offer price has not been decided but will be between 12,000 and 15,000 lire per share. Holders of Mondadori savings shares will be able to convert those into common stock at a 1-for-1 ratio plus a payment of 3,750 lire per share.

spending, may find it hard to match its words with deeds.

Mr. Summers said Mr. Chernomyrdin was

The Russian government sees this as a priori-

Despite the social unrest that comes with

ty, and we share that view," Mr. Summers said.

reform, the lure of a vast emerging market is attracting foreign investment, bankers and economists said. Privatization is shifting up a

gear with planned debut offers of block shares

Opposition to President Boris N. Yeltsin is

still strong, but agitation by hard-liners for a

mass upheaval to remove him seems to be

flagging with no signs of widespread popular

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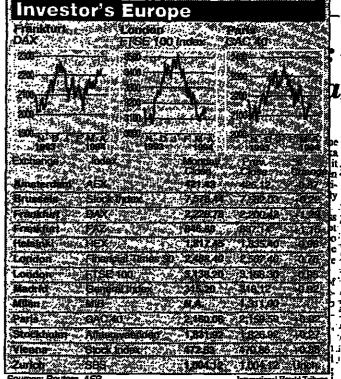
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support for a violent change of leadership.

to foreign investors in coming months.

working on ways to soften soften the social

impact of reform.



Very briefly:

 Banesto's suitors narrowed to three, as Banco de Bilbao-Vizcaya, Banco de Santander and Argentaria Corporación Bancaria de España SA said they had confirmed to the government they would bid for a controlling stake in Banco Español de Crédito SA; two other banks dropped out.

• Banco Popular, one of Spain's largest privately owned banks, announced consolidated net profit of 14.97 billion pesetas (\$107 million) for the first quarter of 1994, a 0.1 percent increase over a year earlier. France's economic recovery spread to all sectors in March, according to

a monthly survey of company managers by the Bank of France, and was particularly strong in transportation industries, mainly because of "measures by the government to encourage the replacement of old vehicles." • Virgin Group PLC's chairman, Richard Branson, announced an accord

valued at £150 million (\$221 million) with a Japanese company to turn the former County Hall building in London, just across the Thames from the Houses of Parliament, into one of the city's biggest hotels.

• Compagnie de Suez's chairman, Gérard Worms, said Suez's Société Générale de Belgique unit was considering increasing its 11.89 percent stake in Accor SA, a French hotel concern.

Bloomberg, AFP, Renders.

Swiss Drug Firms Post Gains

Compiled by Our Staff From Dispatches BASEL, Switzerland - Ciba-Geigy AG and Sandoz AG said Monday that first-quarter sales

Sandoz said sales rose 1 percent in the quarter from a year earlier, to 4.27 billion Swiss francs (\$3 billion), and it said it expected fullyear sales to gain as much as 8 percent in local-currency terms. Ciba-Geigy said its 2 percent de-

sults for the full year.

cline in sales, to 5.58 billion francs, was entirely due to the weakening

Swiss franc. It said sales were up 3 percent in currency-adjusted terms and predicted that 1994 operating were generally strong, and the drug profit would improve from last companies predicted improved re-year's 2.36 billion francs. Sandoz did not make a specific

forecast, but its chief executivedesignate, Rolf Schweizer, said the company felt "very confident about business trends for the rest of the year," and the company said profit should outpace the year's expected growth in sales.

(Bloomberg, AFX, Knight-Ridder)

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yen has helped to tighten the U.S. market effectively taking Japan's capacity out of the picture. Imported vehicles commanded only 15 percent of the U.S. market in 1993, down from more than 26 percent in 1987, according to an analysis by Stephen J. Girsky, the auto-indus-try analyst for PaineWebber Inc.

Nevertheless, Mazda Motor Corp. sales also are surging, and the assembly plant it operates as a joint venture with Ford in Flat Rock, Michigan, has been at 100 percent capacity since October. The plant builds the Ford Probe. Mazda 626 sedan and Mazda MX-6 coupe.

In the first three months of the year, car sales increased 15.3 percent over last year's level, while light truck sales jumped 22.8 percent. In March, Chrysler Corp., Ford and GM each reported the highest monthly truck sales each

Detroit's car production rose 14.9 percent in the first quarter and truck output rose 19.8 percent. On average, dealers' inventories

of cars and trucks are well below where they were a year ago at this time. Since sales generally pick up in the spring, dealers try to stock up in the preceding months, to have at least 70 selling days' supply on hand. But at the end of March, dealers had only 58 days' worth of domestically produced cars, com-pared with 69 days' worth a year

Luxurious sport utility vehicles are not the only hot sellers. Dealers

earlier, and 59 days' worth of do-mestically produced light trucks, compared to 78 last year, according to Ward's Automotive Reports.

have only 30 days' supply of the Chevrolet Cavalier, a small car that has not been redesigned in 13 years. Sales have soared since last fail. when Chevrolet introduced a "value priced" version of the car, which

Waiting lists are common at inflation Chevrolet dealerships. Customers can drive away in unpopular models like the Lumina sedan without much problem. But if they want a Blazer sport-utility vehicle with particular options, they should be prepared for at least a five-week delay. For a Camaro, they will wait at least 10 weeks. And for the fullsize Suburban, the wait will be four to six months.

"We don't have anything," said Harold Schumaker, inventory control manager at Hank Graff Chevrolet in Davison, Michigan. "We used to have no room in the front lot and the back lot, and now we have all kinds of room."

When it comes to buying trucks, consumers have few alternatives to the Big Three, so production limits at Ford, Chrysler and GM leave them stranded. The higher prices that are the inevitable offshoot

other popular options; the coupe is from the competition is likely to \$8,970 and the sedan is \$9,120.

A peculiarity in the way the con-sumer price index is calculated may mean that rising truck prices will not push up the national rate. The formula for determining the relative impact of car and truck prices on the index was worked out be-tween 1982 and 1984, before light trucks soured to 40 percent of vehi-

cles sales last year. As a result, a 10 percent jump in truck prices would raise the CPI by only nine-hundredths of a point, said Patrick C. Jackman, an economist at the Bureau of Labor Statistics. By contrast, a 10 percent jump in car prices would raise it by two-fifths of a point, he said.

Over the next three years, automakers, including the Big Three and foreign companies, plan to expand their capacity in the United States by at least 10 percent, from the current level.

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Japan's Surplus Seen at Peak After Record

Compiled by Our Staff From Dispatches

TOKYO - Japan's trade surplus swelled to a record \$121.99 billion in the year to March 31, 1994, the government said Monday, but economists said the diplomatically explosive figure was likely to shrink this year at last.

"It won't drop drastically, but the surplus has peaked," said Kozo Koide, economist at Industrial Bank of Japan Ltd.

For March alone, the merchandise trade surplus grew 4.2 percent year-on-year, to \$13.95 billion. The figure for fiscal year 1993-94 topped the previous high of \$110.89 billion set in 1992-93.

In the latest year, exports rose 6 percent, to \$366.18 billion, imports rose 5 percent, to \$244.19 billion.

Japan's trade surplus with the United States, its most vocally irate trade partner, also widened in 1993-94, to \$51.14 billion from \$45.76 billion the previous year.

Japan's trade surplus with Asia in 1993-94 exceeded that with the United States for the first time, a Finance Ministry official said. The dollar-denominated trade surplus with Asia came to \$55.95 billion, up 25.1 percent from the year before.

Still, growing import volume suggests structural changes are afoot in Japan that are likely to whittle away at the surplus.

"There are three reasons why the surplus will come down - imports, imports and imports," said Geoffrey Barker, chief economist at Baring Securities (Japan).

Economists said the combination of a strong yen, which limits import prices, and three years of recession had begun to effect a basic change in the way consumers and corporate

"There is a change in values on the part of consumers which favors imports," Mr. Barker said. Mr. Koide said: "Import volume has been expanding from last summer, showing almost double-digit growth. Japanese consumers are becoming quite concerned about price as long as there is no major difference in quality."

Japanese exports — once a fa-vorite with overseas buyers at almost any price because of their high quality — are also likely to be affected by rising costs.

Measured in yen, Japan's global trade surplus is already shrinking. The Finance Ministry said the surplus narrowed 4.7 percent in 1993-94, to 13.18 trillion yen.

After the initial appreciation of the yen over a year ago, Japan's surplus actually widened as the dollar value of exports rose. But as foreigners bought fewer Japanese exports because of their higher prices, the trade surplus has begun to flatten out. Economists call this delayed effect the J-curve. "You've got weak oil prices and yen strength pushing us into yet another kink in the J-curve, but you do have do-mestic demand picking up and an increased import propensity," said Jesper Koll, chief economist at S.G. Warburg Securities Japan.

(Reuters, AFX)

Succeeding in Japan: a Trilogy 3 American Companies Discover a Common Path

TOKYO — When Apple Computer Inc. entered the Japanese market in 1977, its name recognition was so low and management co-

ordination so poor that its first shipment of "Apples" was met by a refrigerated truck.

Dow Chemical Co. faced the opposite problem when it proposed 20 years ago to build a caustic-soda plant here. The well-known Dow name terrified Japanese chemi-

"We must suppress Dow, a world seller with its massive capital and technology, before it lands in Japan," a panic-stricken Kaname Kashima, director of the Japan Soda Industry Association, said on a television

Dow Chemical persevered, developing re-lations with Japanese companies and moving in as barriers to foreign investment slowly eroded. Dow currently has seven subsidiaries and joint ventures in Japan, in construction, pharmaceuticals and other industries. Apple now ranks second in Japan's person-

al-computer market. It is not just well-known companies that are finding ways to overcome the difficulties of doing business in Japan. Among the littleknown successes is Japan Marketing Data Systems Ltd., which conducts a lucrative business helping bigger companies - includ-

ing Apple — get around Japan's complex distribution system.

As the U.S. and Japanese governments face off over issues that could spiral into a trade war, the experiences of these three very different companies show that foreign companies willing to examine their own faults can

succeed in the Japanese market. During Apple's first decade in Japan, the company seemed to do almost everything wrong, from illogical distribution routes to making user manuals and software available only in English and installing managers who did not speak Japanese or understand the

Apple was an example of "how not to succeed in Japan," a U.S. State Department official said in 1988.

"People called us a laughingstock," Apple President Michael H. Spindler said during a recent visit to Tokyo. The challenge, he added, was: "Get the product right, so people can use it. Price it right, so people can buy it. Then build a distribution system, so people

Apple's turnaround began in 1989, when it marketed Japanese-language software for its products and hired Shigechika Takeuchi, an

Foreign companies willing to examine their own faults can get ahead in the Japanese market.

executive from Toshiba Corp., to head Apple Japan. He quickly broadened Apple's distri-bution networks and cut prices.

Apple sold about 300,000 Macintosh computers in Japan last year, carving out a 13.4 percent share, up from 8.1 percent in 1992 and second only to the dominant NEC Corp., whose share was 52 percent in 1992 and 49 percent last year. Apple executives predict a 20 percent market share by 1995.

Although Mr. Takeuchi stepped down as president late last year and his successor has not yet been named, Apple Japan seems well on its way to achieving its goal of \$1 billion in annual sales here.

For Dow Chemical, the key was seeking opportunities in many market segments and looking for joint ventures and other ways to serve Japanese companies, after its initial plan to enter the market was barred.

Dow's determination paid off as trade barriers fell and other factors made the company more acceptable — such as Japan's long re-cession, which has prompted more companies to look at Dow's lower-priced products.

Quality at any price' is no longer acceptable to the local consumer or manufacturer, said James W. Harris, president of Dow Chemical Japan Ltd.

The Japanese are willing to consider a

lower-priced foreign product now, he said, "even if it means they have to break relationships with somebody they've been doing business with for a very long time."

Dow Chemical's worldwide presence also helped as Ispanese companies themselves became more global.

"A global company that can supply Toyota in Japan, Toyota in North America and Toyota in Europe with a common product, made any place and delivered to meet their needs, at the lowest cost-to-serve, is going to win." Mr. Harris said.

For Japan Marketing Data, meanwhile, success has come from its ability to help companies with their direct marketing, getting them past one major obstacle to doing

Japan's infamous multilayered distribution system not only jacks up prices by 30 percent or more through profit-taking at each level of the network but also ends up blocking foreign manufacturers from contact with their customer bases, said Charles T. Luebker, founder and president of Japan Marketing Data.

Direct mail and related telemarketing op-erations help by delivering goods directly to consumers and providing manufacturers with information about what kind of people buy their products, he said.

Japan Marketing Data, with \$10 million in revenue last year, has doubled its business annually for five years in response to increased demand from foreign companies that do not know how, or have no way, to reach Japanese consumers directly, said Marc D. Fnoti, executive vice presider

Executives at Apple, Dow and Japan Marketing Data all said pressure from Washington had helped win access for foreign products in Japan. But they also expressed fear that the United States might overplay its hand.

"We greatly support the continued pres-sure of the United States government on the Japanese to increase market access," Mr. Luebker said. But he said he worried about the way Washington "so clumsily goes about doing it," adding: "There's no finesse, no style. They just look like a bully."

Investor's Asia

Very briefly:

 Indonesia's labor activists said they would continue strikes for pay increases and freedom to form independent unions. Three deaths and 82 arrests were reported on Friday as demonstrators clashed with the military in Sumatra. Police said they have released 62 workers after interrogation and detained 20 for further investigation.

 Singapore started tests for electronic road pricing, a method of billing motorists for using streets much as residents are charged for water or electricity. The system may institute three types of charges: a road entry fee, one based on mileage and one based on the degree of traffic congestion. Three international consortia are competing for the contract to install the system that might be valued as high as \$170 million.

 Japan's cigarette sales rose by 1.1 percent in the financial year that ended March 31, the fifth consecutive year of increase, to a record 332.6 billion cigarettes, the Tobacco Institute of Japan said.

 Tung Ho Steel Ltd., one of Taiwan's largest steel companies, said pretax profit fell 39.4 percent in the first quarter of 1994, to 109.2 million Taiwan dollars (\$4 million), due largely to falling prices.

• Bangkok Bank Ltd., Thailand's largest commercial bank, raised its interest rates for savings accounts by 0.25 percentage point, to 5 percent, following the rise of prime lending rates last month. That move was aimed at stabilizing the market after foreign funds migrated out of Thai securities in the wake of the Bangkok stock exchange's recent slump.

 China said it would introduce compulsory licenses for architects and increase supervision of building.

NEC Considers General Magic

TOKYO - NEC COTP., which dominates Japan's market for personal computers, plans to invest in General Magic Inc. to gain access to, the American company's communications software, Nikkei English News said Monday.

An NEC executive, who asked not to be identified, denied the company had made a formal decision to invest in General Magic but said he would not rule out the possibility NEC might do so soon.

Nine other high-technology companies have taken stakes in the three-year-old California software manufacturer, whose Telescript and Magic Cap communications software systems are becoming increasingly recognized as the global standards for computer communications.

Such a Deal Burma Has for Foreign Investors

RANGOON -- The colorful leather jacket made from barking-deer hide and snakeskin was definitely more Mandalay than Milan. Red and brown blotches on a light tan mocracy movement in 1988 and renamed the coat fringed in rough green-and-black boa country Myanmar, has recently been openconstrictor skin may not be everybody's idea

of style, but it drew a lot of attention at Burma's first major trade fair this month.

"My 15-year-old son invented this unique technique while playing around with different said with an engaging waggle of the head.
Surrounding his stall were hundreds of our first chance to find exporters."
Opening the fair, which ran A

Foreign businessmen and tourists joined for Burma's exportable goods. thousands of local residents for a stroll along

closer look at their wares.

Burma, shunned by all but a few nations since its ruling generals crushed a pro-democracy movement in 1988 and renamed the ing up in a bid to boost its economy.

Organized by the Trade Ministry, Myan-mar Trade Fair '94 was part of a relatively "We call this our three-color flower de-new drive by the ruling State Law and Order sign," explained Myint Than, chairman of Restoration Council to attract investment the Mandalay-based Nila Leather Jerkin and win export orders. The only problem was that almost all participants at the show

were new to the export game.
"We are beginners. We haven't any cusdyes. The inspiration comes from Allah," he tomers," Myint Than said. "Now that the government has opened the economy this is

civil servants hawking everything from plas-tic buckets and hand-woven textiles from the national strength," the trade minister. Lieu-invented in Burma and everybody here con-Golden Triangle to vast tracts of farm land tenant General Tun Kyì, said one of the siders the number nine to be lucky, hence the main aims was to get international exposure name Polo Nine," Their Win said.

buyers for his new brand of cigarettes, Polo Nine, which he hopes to be able to export to Russia and China.

Opening the fair, which ran April 1-12 Ltd., he said.

"The government is therefore giving top poor human rights record might put off po- isn't a free market yet," he said.

the aisles as salesmen invited them to take a priority to export promotion," he said at the tential buyers and investors, he said Burma opening ceremony attended by members of the ruling council, diplomats, local and for-eign businessmen and a bevy of Burmese problems selling its goods. "Just because of eign businessmen and a bevy of Burmese

> Of the 203 stalls, 33 were taken by state corporations, 18 by joint ventures, 60 by coop-eratives and the rest by private enterprises. Thein Win, chairman of the Myanmar Industry Association, was busily looking for

> The cigarettes, which wholesale at just \$2.50 for a carton of 200, were made locally from by Myanmar Glacier Tobacco Ltd., a ioint venture set up one year ago with backing from South Korea's Glacier Tobacco

Asked if he thought the military council's

"One of the biggest battles to curities to mop up excess liquidity, keep the economy buoyant is to but analysts said new, longer-term keep inflation down, and that means instruments were needed.

The Central Bank announced last foreign-exchange inflows and ele-

the human rights situation, do I have to stop my work?" he demanded. Beneath a large sign inviting foreigners to "grab the golden opportunity now," Myo

Myint, a civil servant from the Agriculture Ministry, was on the lookout for foreign business people to persuade to invest in farming plantations and food processing. He said the government had identified

1.55 million hectares (3.83 million acres) of fallow land and 8,23 million hectares of cultivable wasteland that would be suitable for joint ventures. Scott Montgomery, an American busi-

year, said amid the bustle that the Burmese government was trying to follow China by encouraging state-owned enterprises to play a leading role in building up the economy.

"It is getting more and more open but it

CITIC Pacific Issuing Stock To Buy Assets From Parent

HONG KONG - CTTIC Pacif- boost its stake to 35 percent from ic Ltd., the first Chinese-controlled 10 percent in the Western Harbor company to become a Hong Kong road tunnel that is to link Hong blue chip, said Monday that it was Kong island with the mainland and buying 1.52 billion Hong Kong the new Chek Lap Kok airport.
dollars (\$197 million) worth of assets from its parent and would raise more than twice that amount by

CITIC Pacific, which has businesses from car dealerships to a stake in Cathay Pacific Airways, is to buy stakes in road and rail tun-nels, and residential and commercial property in Hong Kong and China from its parent, China International Trust & Investment Corp. Hong Kong (Holdings) Ltd.

CITIC Pacific is to issue 166.27 million new shares, or 8.99 percent of existing shares, at 23 dollars each, to raise 3.82 billion dollars. CITIC HK is taking 66.27 million shares and the rest are being placed with financial institutions.

About 1.4 billion dollars of the proceeds will go for capital expenditure and 900 million dollars for loan repayments and working capital.

India Says Foreign Investors Fail to Keep Up With Its Reforms

NEW DELHI - Prime Minister P.V. Narasimha Rao told potential foreign investors Monday that his 33-month-old economic reforms were irreversible but the overseas funds needed to sustain his efforts had not kept pace.

mentation in the form of projects has been somewhat below expectation so far," Mr. Rao told a meeting

of potential investors. Up to February of this year, In-

only 30 billion rupees, according to the Industry Ministry.

Mr. Rao is piloting far-reaching economic changes aimed at ending ere irreversible out the overseas of to remainly of this year, inunds needed to sustain his efforts dia approved foreign direct investad not kept pace.

The translation of foreign investbillion, mainly in the energy and economic changes annea at ending four decades of state controls.

About 250 investment projects, worth more than \$1.5 billion, have

ment approvals into actual imple-mentation in the form of projects tual inflow of investments totaled tential to attract foreign investors. The investment opportunities

cover five industrial sectors: food processing leather and leather goods, textiles and ready-made garments, chemicals and related industries, and metallurgy. The projects identified for dis-

not to allow too much monetary

month it would issue short-term se-

growth," Mr. Dissanayake said.

medium size, which are considered important for India in terms of

dent of India, said his country of- questions about the stability of its fered better long-term economic politics has kept foreigners cautious.

But while the sheer size of the Indian market for industrial goods employment potential. K.R. Narayanan, the vice presi- is attractive for foreign investors,



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Battle Against Inflation Holds Key to Sri Lanka's Prosperity

COLOMBO, Sri Lanka - Runaway inflation, stoked by rising government spending in an election year, will dampen Sri Lanka's economy, which otherwise would benefit from better agricultural output, officials and economists said on Monday.

year is realistic," Arjuna Mahendran, an analyst with Crosby Securities, said. "Rains will increase tea, rubber and coconut production. Tourist arrivals are up and manufacturing should be all right de-

pending on lower lending rates."

But inflation, now around 12 percent, is expected to accelerate as the government battles to win a dential election at the end of this year and a parliamentary elec-tion in early 1995, he said.

Last month the ruling United National Party suffered a surprising loss to the opposition People's Alliance in a key regional election and is now making vote-catching but inflationary gestures.

"If government finances get out

school uniforms and midday meals, considerably in 1993.

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of control, inflation will increase sharply, another private-sector Last year Sri Lanka's economy grew by 6.7 percent, compared with 5.6 percent in 1992, the central bank governor, H.B. Dissanayake,

said last week. He said the manufacturing, industrial and services sectors grew while direct foreign investment and Welfare measures such as free portfolio investment had increased

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CASINO LOUTRAKI

Also fueling inflation are high

vated military spending.

EXPRESSION OF INTEREST FOR CO-OPERATION At Loutraki, 80 km from Athens - a Casino license will be soon granted by the Greek

The Municipality of Loutraki and Perabora, having the appropriate land as well as specific pre-leasibility studies for the touristic development of the wider area, and having interest to co-operate with investor in order to participate in the official tender for the acquirement of a

Investors to submit proposals of expression of interest for the phase of pre-evaluation (short-Basic criteria for the pre-evaluation of the proposals:

Experience in large touristic development programmes (amounts, invested, country, year, partners, etc.). Experience in constructing, organising and operating of Casinos (co-operation with other hotel of casino Presentation of appropriate economic data indicating the financial statue of the candidate investor

(balance sheet of last 5 years, shareholders). Co-operation with Banks with suitable references and permission to further request additional Minimum amount of investment for the first phase of construction of the project should be the amount

of 40 million USD. Desired maximum construction duration 3 years. Short-listed candidates will receive in due time from the Municipality the relevant

prefeasibility studies which include: - The Hotel-Casino cluster;

- The construction and operation of a Marina, etc. The Municipality, with its Société Anonyme will collaborate with the strategic investor with a percentage share and terms which will be set during the negotation phase

All proposals must be submitted by the 10th of May 1994 at the following address: Municipality of Loutraki - Perahoras El. Venizelou 47 - Loutraki

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This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

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Monday's Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

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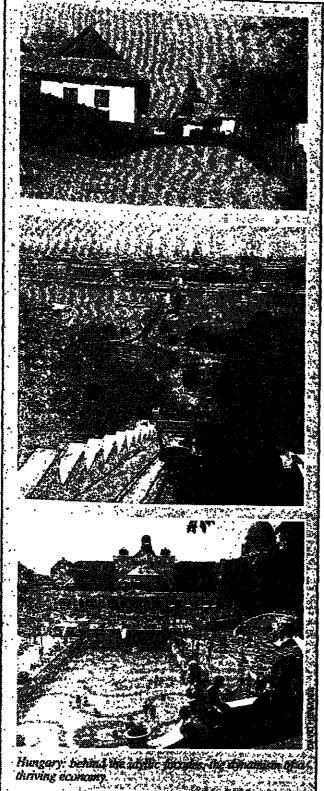
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TAKEOFF YEAR FOR THE ECONOMY

1990. After earning a doc- of the past four years? torate in jurisprudence, he embarked on a long and distinguished career as a political activist (with accompanying periods of incarceration), editor, writer and literary translator. Mr. Goncz parties form the government has been awarded a number of major national and international prizes for his writings and translations.

According to outside analysts. 1993 was Hungary's turnaround year, and 1994 will be its takeoff year - a year of modest but sustained growth. Do you see this upswing developing?

With a few very important qualifications. yes. Industrial production - a hellwether of any economy has been showing a marked rise for some time now, as have such key sectors as tourism and services in general.

Arpad Goncz: "We have managed to keep Hungary on an even

The upswing is dapest or other major cities. It shows itself in the new stores and automobiles and newly restored buildings. The qualifications: the

transformation of our country's agricultural sector has yet to generate increases in this area's output. Our economy is still characterized by high rates of unemployment. corporate indebtedness and inflation. These factors have caused social hardship in certain segments of our society, and expenditures allocated to alleviate this hardship have made it difficult to reduce the public sector's budget deficits.

One further point, this time positive. "Modest" was the term used to describe our current growth, and that is probably not quite accurate. The upswing may have started earlier and now be much more pronounced and unemployment may be lower - than official figures have been indicating. The official reporting system simply does not yet cover a large portion of our economic output, nor are citizens overly zealous in reporting certain kinds of revenue.

The country's national election is scheduled for

rpad Goncz has May 8. Are any issues been president of emerging from the ongoing the Republic of political debates that could Hungary since cause a shift in the policies

> scale policy shifts occurring after the election. The country's underlying economic factors are going to remain the same no matter which after next month's election. The new government will also inherit the same range of options to deal with these factors and problems. Most importantly, the process of finding compromise solutions to current issues will also be set forth. It is this consensus-building that has enabled Hungary to avoid

> > social unrest and given the country its reputation for political stability. This reputation, in turn, has proven a considerable asset in securing foreign invest-

large-scale

You have very evident when you walk been in office since the inthrough the streets of Buary Hungary. What characteristics do you see emerging in your newly reformed country?

A great deal of resourcefulness, the ability and the willingness to cope with whatever challenges and problems current events throw into our back yard. We have managed to keep Hungary on an even keel, to keep its economy and its institutions intact over the past four years - no small accomplishment during a period of large-scale upheaval in our traditional markets in the east and in the south and the swing into recession of our new major trading parmers in the West. This recession, in turn, has triggered an outbreak of protectionism on their part. The recession is coming to an end in the West, the restructuring of Central Europe is now at an advanced stage, there are signs of recovery in the east and peace in the south. These developments indicate that Hungary's era of coping could well be coming to an end. I am looking forward to proceeding full steam ahead with the task of creating a new Hungary.

Interview by T.S.

This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. David Hermges is a British writer, photographer and broadcaster specializing in Central Europe. Lucy Hooker is a free-lance British writer based in Budapest. Susan Spencer-Wendel is news editor of The Budapest Sun. Terry Swartzberg is a Munich-based business writer.

Over the past few years, Hungary's transformation into a free-market economy has been remarkably smooth, thanks to its success in attracting foreign investment, wide-ranging privatization, political stability and the entrepreneurial spirit of its people. Today, key indicators show that the economy is ready to take off.

HIDDEN RESERVES, VISIBLE ASSETS

ven Hungary's staunchest supporters were not expecting the good news. After systematic and scientific evaluation of the data, a team of researchers announced that all of the existing indicators on Hungary's economy "were not quite accurate," as they carefully put it. Their study showed that the country's "non-statistically reported economic activities" probably amounted to 25 percent of the previously established gross domestic product, not the 18 percent predicted.

If true, this would amount to the largest readjustment of recent years. In 1985, Italy factored its "shadow economy" into its official GDP, cataputing the country to fifth place among the world's industrial nations. A similar readjustment, Hungarian-style, would mean that Hungary entered the growth column a full 18 months earlier than previously thought. It would also go a long way toward explaining the burgeoning prosperity and bustle of entrepreneurial activity in the country's cities and towns. Most importantly, the existence of hidden reserves of this scope would account for the country's ability to keep on course during four years of upheaval and recession.

The report, compiled by an international team of experts, was confirmed by a series of subsequent developments.

After securing more than half of the investment flowing

into Central Europe over the three previous years, Hungary was widely forecast to undergo a year of foreign-investment retrenchment in 1993. Boosted by mid-December's \$875 million purchase by Germany's DBP Telekom and Ameritech of a 30.2-percent stake in MATAV, the Hungarian telecommunications authority, the country defied the experts' predictions and set its fourth consecutive record. For-eign investors dispatched \$2.5 billion to the country in 1993,

up a whopping 88 percent over the previous year.

The target set by the government for Hungary's nascent private sector was 50 percent of GDP by the end of 1994. In mid-March, Bela Kadar, the country's minister of international economic relations, announced that this goal had been reached eight months ahead of schedule. This was fueled by a continuing boom in company foundings and the success of the country's privatization program, whose efforts are now nearing the halfway point. Today, Hungary has nearly 900,000 companies of all sizes and descriptions, an increase of 18 percent over the previous year.

Even in its problem areas, the country has been doing bet-ter than expected. Although still high at 12.6 percent, officially reported unemployment was down by some 10,000 persons in February. In early March, it was announced that the government's chronic budget deficit had been kept down to 6.2 percent of GDP - right on target and well below the previous year's figure of 7 percent. The country's pre-election phase, now in its last month, started with dire predictions of apocalyptic swings to the left or right. It is concluding, however, with tidings of coalition-building and a continuation of the moderate policies that have given Hungary an unmatched reputation for political stability in Central Europe. Elections are scheduled for May 8.

Many of the country's assets are quite evident to anyone who takes the trouble to look, as did the International Labor Organization in its recently released report, "Are Hungarian

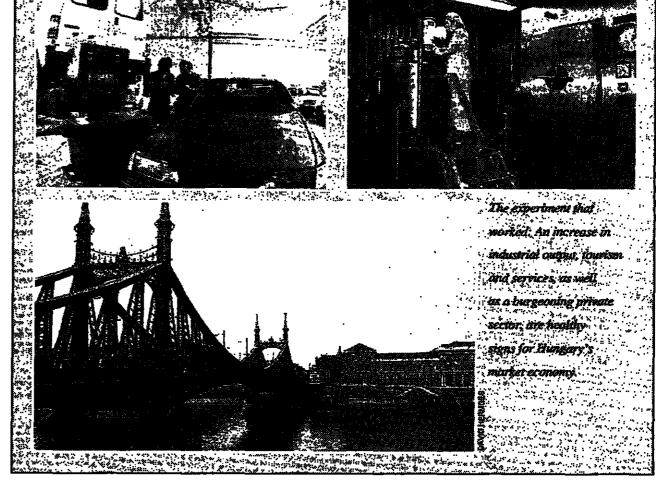
ELECTIONS IN MAY

Hungarians take to the voting booths in May to make what has proven a fateful decision in other former Warsaw Pact countries - whether or not to re-elect the government they chose in their post-Communist idealism. March polls conducted by Gallup Hungary indicate

that Hungary's center-right coalition government - the longest-lasting one among the new democracies of East-ern Europe - may finally fall. In the poll, the coalition's members - the majority Hungarian Democratic Forum, the Christian Democrats and the Independent Smallholders - all trailed their liberal and socialist competitors. Thirty-one percent of people who intend to vote said they would vote for the Socialist Party, the legal but not ideological successor of the former Communist Party. The Socialists' current economic platform is based on private ownership and does not propose any vast changes to Hungary's current economic overhaul.

The Socialist's popularity rating is way ahead, in polling terms, of the 15-percent rating received by its closest competitor, the liberal Federation of Young Democrats, or the 10 percent received by the governing Hungarian Democratic Forum. The Forum is represented by the current prime minister, Peter Boross, who was nominated for the post after Prime Minister Jozsef Antall died from cancer in December. Despite his recent entry on the scene and his relative lack of political experience, Mr. Boross fares well in polls. Often ahead of him, however is Socialist Party President Gyula Horn. A former foreign minister in Hungary's transition government, Mr. Horn became well-known for allowing East Germans heading West before the Berlin Wall's fall to cross through Hungary. Mr. Horn has not yet been confirmed as the Socialist Party's candidate for prime minister.

The election's first round will be held Sunday, May 8, and the second round on a yet-undetermined date later in Susan Spencer-Wendel



country's labor costs are actually among the lowest in the world. Hungary's wages are slightly higher than those of its neighbors (although still one-tenth of Germany's, for instance); its productivity, however, is much higher - and

On a cost-per-unit basis, Hungary compares favorably with such low-wage paradises as Mexico. Companies such as Philips and General Electric have cited this productivity as their reason for transferring facilities to the country.

Many of Hungary's assets are neither hidden nor undiscovered, especially the stunning cityscapes of Budapest and the charms of Lake Balaton. Tourist arrivals in the country were up a strong 13 percent in 1993. While a large portion of this increase stemmed from the youth and package-tour seg-ments, Budapest is increasingly receiving the market's high-

Labor Costs Really So High?" The report concluded that the end customers: business and "cultural" travelers, according to Peter J. Leitgeb, managing director of the Grand Hotel Corvinus Kempinski Budapest and a highly active proponent of high-end tourist development in the city. Opened a year and a half ago, the well-run, 140-million-Deutsche-mark hotel occupies a choice location in Budapest: directly on Erzsebet ter (Elizabeth Park).

I think you can use our hotel as a microcosm for the state of Budapest's tourist trade as a whole," says Mr. Leitgeb, who has held senior positions in the hotel trade in Europe, America and the Far East. "More and more high-end travelers are coming from farther and farther away to visit Budapest. After those from the German-speaking area, Americans and Japanese now form the second and third most numerous national groups at our hotel."

Terry Swartzberg



MAGYAR NEMZETI BANK

HUNGARIAN ECONOMY - STEADY PROGRESS

1990-1993 – Four Successful Years

In the past four years, Hungary has scored remarkable results in developing its economy:

· Modern legislation and institutions needed for a market economy have been created, and clear and transparent rules govern the environment for the business community.

. The country's economy has by now mastered the problems caused by the simultaneous loss of East European markets and the challenge of a thorough restructuring in both production and ownership patterns. This was achieved, however, at the price of a temporary decline in gross domestic product and a rather high rate of unemployment.

Favorable Development of Inflation

Due to a considerable extent to a carefully guided monetary policy, inflation has been kept within tolerable limits. The annual consumer price index, after reaching a peak of 35 percent in 1991 following the dismantling of subsidies, decreased to 23 percent in 1992 and to 22.8 percent in 1993. The prospects for a further reduction are very good, as monthly rates in the first three months of 1994 were about half the corresponding values of the preceding year.

Dynamically Growing and Powerful Private Sector

Due to a favorable environment for starting enterprises, the number of registered business entities, incorporated and non-incorporated, rose from less than 40,000 in 1989 to around 170,000 at the end of 1993. The number of licensed individual entrepreneurs, totaling less than 200,000 in 1989, has grown to 700,000.

In the past four years, Hungary has accomplished an ambitious program of privatization. Despite the scarcity of local private capital, local investors are participating increasingly in this process.

Currently, more than half of total GDP is produced by the private sector.

Steadily Increasing Flow of Foreign-Investment Capital

Under a clear legislation for foreign investments, providing guarantees for free repatriation of both profits and - in case of termination - capital, direct foreign investment started to soar in 1990. During the four years of 1990-1993, an annual average of US\$1.5 billion flowed into the country. The figure for 1993 was US\$2.3 billion, with the largest individual foreign investment to date - US\$850 million - into MATAV, the Hungarian Telecommunication Company, by highprofile German and American investors. Foreign investors are active at the Budapest Stock Exchange as well. In the near future, state bonds will be available for foreigners.

Flawless Foreign-Debt Management

Hungary has always been prompt and accurate in servicing its debt to foreign lenders. The four years that followed the political change in 1990 brought an even more resolute policy in maintaining the international financial position of the country. The National Bank of Hungary, as the sovereign borrower for the country, has been able to substantially improve the maturity structure of foreign gross debt, with the share of short-term debt decreasing from 16.2 percent in 1989 to 8.2 percent at the end of 1993. Net foreign debt decreased from US\$15.9 billion in 1990 to US\$14.9 billion at the end of last year. Gross foreign debt, however, increased from US\$21.3 billion to US\$24.5 billion, as there was a decline in exports last year, seriously affecting the current account. This drop in exports was due to the accumulated effects of the loss of eastern markets, West European recession and highly unfavorable weather conditions in farming.

Due to the country's flawless debt management and, not least, to its political and economic stability, the NBH was able to increase its foreign-exchange reserves to US\$6.8 billion, amounting in value to about seven months of imports; the NBH accomplished this by increasing its bond issues on various international capital markets. The confidence of foreign capital markets is indicated by the fact that the NBH was able to issue 20-year bonds on the U.S. bond market.

Challenges and Outlook for 1994

The results indicated above were not achieved without problems, of course, and some of these challenges are likely to prevail for some time. Recovery in industrial production, however, has started, with growth in 1993 amounting to 4 percent; early 1994 results confirm the favorable tendency. There are hopes for West European markets to revive this year, and - with the "Europe" agreement in force since Feb. 1 this year - the conditions for the access of Hungarian goods to these markets are likely to improve. In addition, the outlook for agricultural production, an important source of goods for export, is better than ever in the past few years. The deficit of the central budget is likely to be higher than in 1993, but it will probably still remain within 7 percent of GDP.

The World Exhibition or "EXPO" in 1996, to be organized and held in Hungary, will likely be a strong magnet for business and activity from all over the world, and it will no doubt increase the attractiveness of this country for world business.

National Bank of Hungary Information Department Budapest Telephone: (361) 131 49 38 Fax: (361) 153 02 86

HUNGARY

A LONG-TERM TARGET FOR FOREIGN INVESTORS

vaunted fact in Hungary that this small country of 10 million people has attracted \$7 billion, or more than half of the total foreign investment flowing into the

region, since 1989.

The explanations for the original investments are clear. Strategically located in the heart of Central Europe, Hungary is ideally located as a stepping stone into markets in the east. Hungary had done business to its east, north and south for many years and had all the requisite experience.

Hungary's Communist regime had also taken the first steps toward market reform long before any of its neighbors, introducing small-scale private enter-prise in the late 1970s.

Moreover. Hungary could provide the foreign investor with a highly educated but inexpensive work force, a legal and financial infrastructure, proximity to es-tablished markets in Western Europe and access to Hungary's own domestic market. These advantages attracted a host of multina-

t is a much-tional companies to Hungary. Alcoa invested \$165 merce in Hungary and genmillion in a joint venture eral director of the First with Hungarian aluminum American-Hungarian Insurmanufacturer Kofern. Italian ance Company (AHICO), part of the American Inter-national Group (AIG). "The electrical engineers Ansaldo, a subsidiary of IRI. joined up with the Hungarimarketplace is not saturated. an company Ganz with an investment of \$130 million. but investment has slowed a French pharmeceuticals company Sanofi paid \$100 million for a 51-percent little. It is the same all over the region. Maybe it is just a natural cycle." stake in Chinoin.

Bela Kadar, Hungary's minister of international Original investments had a multiplying effect. German car manufacturer Audi invested \$450 million in a economic relations. says: "You can read about Hungary's lost position every week in the newspapers. But greenfield engine-manufacit is wrong that Hungary has lost its attractiveness for forturing plant in Western Hungary, following the example of Ford, Suzuki and General Motors. The single largest eign investors." At the end of 1989, direct foreign investment was investment came in Decem-\$570 million. In 1993, it had ber 1993, when the telecoms ballooned to \$7.1 billion out consortium Magyarcom comprising Deutsche Bundespost Telekom and Ameritech International – of a total \$30 billion for the former Comecon group, according to Mr. Kadar.

won a tender for a 30-per-"Fifty-three percent of forcent stake in the Hungarian eign investment is in the manufacturing industry, which shows that Hungary Telephone Company with its \$875 million bid. This is attractive as a production site and that foreign counwas Eastern Europe's largest deal, and a further \$4.3 billion will follow over the tries want to relocate here," says Mr. Kadar. "Last year, \$2.3 billion was direct capicoming decades. Magyarcom eclipsed General tal equity investment." Electric as Hungary's largest

There are still challenges, according to Mr. Bush. "You have to develop a strategic approach," he says. "For foreign investors, it has to be comfortable in the long term. You have a war to the south. But if the war resolves itself, Hungary is a natural place to invest. Hungary has a strategic location, it is politically stable, and any of the logical scenarios for election results in May indicate it will continue to be stable. It has an extremely productive and intelligent work force. The big thing they needed was the techno-

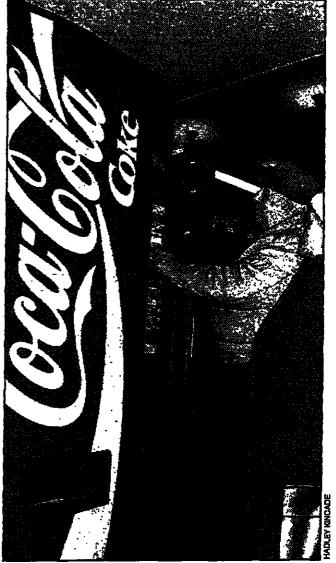
logical transfer.' One oft-cited criticism is mean Hungary has lost its Hungary's small domestic

This argument is fast losing credence as increasingly free trade with the European Union means domestic and foreign investors do not have to rely on a narrow Hungarian domestic market, but can produce for the 400 million consumers of the European free-trade area. This year, Suzuki plans to export 10,000 cars made in

Bush, president of the that larger markets will lure their plant in nonhem Hun-American Chamber of Com- away potential investors. gary to Western Europe, taking advantage of Hungary's preferential relationship with the EU.

"Via the agreement, Hun-gary has a chance to step out of the boundaries of the narrow domestic market," says Mr. Kadar. "The economic destiny of small countries will be left behind via inte-

Lucy Hooker



More than a stepping stone: Hungary offers investors a attraction?" asks Edward market. The assumption is domestic market thirsty for Western goods.

INVESTOR PROFILE: GENERAL MOTORS

General Motors considers its \$235 million Hungarian plant a true success story.

Four years after the decision to locate General Motors' new production plant for high-tech engines in Hungary, GM Hungary's Managing Director Ernst Hoffman shows no signs of regret. "Are we satisfied with our investment? Without any hesitation, the answer is yes." he says. "We can measure it in figures, quality or self-satisfaction. Here we are really at the top of the rank of good quality. As for the artitude, involvement and flexibility of the labor force, I am proud of my Hungarian crew. They are flexible and under-

the agricultural-machinery manufactories. Then the idea struck that the Astra-turer Raba and invested 400 million model - family-sized but not expen-Deutsche marks (\$235 million). Production started in mid-1992. The government helped GM Hungary up-grade the local infrastructure with telephone lines and a gas pipeline. In general, however, the site in Szentgotthard was ideal. The company also capitalized on a 10-year tax concession from the government.

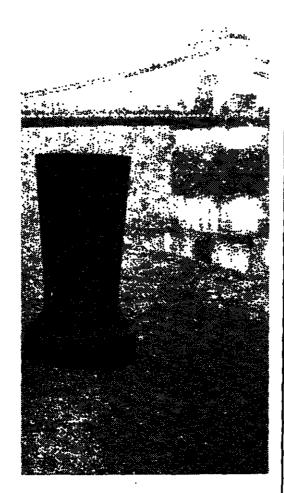
Originally, the plan was to build 1.6-liter engines for export to GM Europe's other assembly plants. This year, the company expects to pro-

GM formed a joint venture with duce more than 140,000 engines. model - family-sized but not expensive - was ideal for the Hungarian market, and the project was expanded. Sales of Astras have more than doubled every year since. More than half of the 17,000 units sold last year were assembled at the Szentgotthard plant and sold tax-free on the Hungarian market. Within GM Enrope, the Hungary branch is considered a true success story. Production statistics are good due to lower costs and the most modern techniques.

hen you choose a partner abroad you will want one who is familiar with domestic conditions. In Hungary this primarily means the economy, the development of the capital market, and the status of privatisation.

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BANKS, FINANCE: ADAPTABILITY PAYS OFF

of the most sophisticated features and instrumentalities common to its senior Western counter-

investor, overtaking GE's \$550 million investment in

the Tungsram light-bulb-

begun relocating production

sites from Britain to Hun-

gary, where wage costs are

lower. Tungsram recently received a \$600,000 contract

to supply bulbs for the New

York subway, showing that

the company is a sound

Despite successes such as

"There is less direct in-

vestment, but does that

Tungsram, however, there is

speculation that Hungary

might be losing its glow.

long-term investment.

manufacturing company. One of the first to move into Hungary, GE has now

These include thriving markets in certificates of deposits (CDs) and commercial paper (CP), electronic-based securities and shares trading systems, and corporations' routine use of currency futures as hedges. Like its Western counterparts, Hungary's central bank has a wide-ranging brief and has not been hesitant in making use of it.

Unlike in the West, these features have not risen solely from the desire to maximize profits or to steal a march on the competition, but rather from the simple need "to keep on top of a rapidly changing business environment," according to Lajos Bokros, chairman of the board of Budapest Bank, one of Hungary's "big six"

This environment has been marked by bouts of in-flation and inflation-caused high interest rates and monetary volatility, as well as by a rash of nonperforming cor-porate loans, a result of the near-total collapse of the companies' markets in the

To stay afloat and to keep the "credit machine" in operation, the banks have re-

ungary's young lied on a great deal of adapter. er" the spread, which now has been well-managed. As financial sector ability and on well-dosed totals 8 percentage points, key indicators show, Hun-

One item adapted has been the CD, a standard in advanced financial centers. CDs have now established themselves in the Hungarian banking sector - and for a very good reason.

The issues have offered a neat solution to a vexing cash-flow bind: large banks generally manage

measures of public support. blue-chip customers have displayed a good measure of inventiveness. They have started issuing their own "paper," thus inadvertently putting Hungary in the vanguard of one of Europe's late-blooming capital mar-

In turn, the country's

24 of nation's 42 banks are owned by foreigners

of revenue.

amounts of short-term funds going out (in the form of the banks' credits to corporate customers) and - because of a high percentage of nonper-forming loans – not enough revenue and principal returning to cover the issuance of further credits. By issuing high-yield CDs, the banks have secured a source of fresh cash.

These issues have also been able to absorb a large portion of the "hot money" floating around Budapest. thus creating a new market in the process.

The country's banks employ a large spread (the dif-ference between interest rates charged and paid) to amortize the costs of these nonperforming loans and the expensive CDs.

Often unwilling to "cov-

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these issues, securing the banks an additional source

Such services and sources of capital have sufficed to stabilize the banks' cashflow situation, but not their overall capital-adequacy positions, sapped by the non-performing loans. Enter the National Bank of Hungary. In two separate and recent moves, the bank first organized a swap of a portion of the banks' nonperforming loan portfolios for long-term state securities, and then subscribed to a recapitalization of several leading

As a result, the banks are well on their way toward exhibiting normal capital ade-

quacy ratios.

Of key importance is that this scrambling and shifting

gary's standing as a wellperforming financial market has been maintained throughout this "era of adjustment," during which the forint's convertibility and level of acceptance have steadily increased.

Today, the currency is "convertible for all practical purposes," says Peter Akos Bod, president of the National Bank of Hungary. Buoyed by hard currency reserves now totaling more than \$6 billion, the ratings of the country's "governmental paper" have actually im-proved - and this despite total governmental foreign indebtedness of more than \$24

The free expatriation of profits is an important selling point with international investors, and it has been continued as a matter of

One factor enhancing international investors' confidence in Hungary's financial sector is its exemplary open-

Today, 24 of the country's 42 banks are entirely or partially owned by foreign investors. Non-Hungarian banks and their subsidiaries are playing a welcome role in helping to develop the country's retail banking, which is still generally bogged down in the "cash and carry" phase, as Nation-al Bank Director Istvan

Nadory puts it.

These banks have also been highly active players on Budapest's shares and securities exchange.

Another confidencebuilder has been the Hungarian government's clear commitment to largely removing itself from banking opera-tions by the end of 1996. By that time, the Hungarian government plans to have reduced its equity stakes in "its" banks to under 25 percent.

One method that will be used is privatization, "One a year" is the current timetable for such privatizations, with the Hungarian Foreign Trade Bank and the Budapest Bank reportedly the first in line.

PROMOTING TRADE: JOB GETS EASIER

n 1991, the Soviet market finally collapsed. At the same time, recession hit Western Europe and the war broke out on Hungary's southern border. Since then, Hungary has suffered over \$1 billion of Yugoslavia

In the meantime, industries at home went through a momentous restructuring process to put them in a position where they could start to compete with Western companies. This eventually took its toll on Hungarian exports, which

By 1992, all foreign trade was convertible

had been rising in 1991 and 1992. In 1993, exports decreased sharply, resulting in a current account deficit of \$3.4 sibillion in 1993, much larger than anticipated; the nation had a \$324 million surplus in 1992. The collapse of exports was caused primarily by problems in Hungary's largest export sector, agriculture: two years of drought and persistent uncertainty over land ownership after the breakup of coopera-

Nevertheless, now is the time for optimism, says Bela Kadar, Hungary's minister of international economic relations. "We have traveled the most difficult part of the road to market institutions and the legal framework of a market economy," says Mr. Kadar. "We are on the threshold of a new phase in the business cycle."

Western goods continue to flood into a hungry market, with a doubling of imports from the European Union, as demand in the Hungarian economy defies the recession. It has created a trade deficit, but these are the first signs of economic recovery, says Peter Akos Bod, governor of the Hungarian National Bank.

In the first half of 1993, exports dropped 27 percent. The latest figure for 1993, however, is only 17 percent, due in part to a mid-September policy package that included a devaluation of the forint and provided for the establishment of an Exim bank.

"Hungarian entrepreneurs got the message that interna-tional competitiveness will be considered a priority by the government," says Mr. Kadar.

Hungarian business has gone through a revolution over the past four years. Production targeted at Soviet and East European markets - where quantity, not quality, counted - has had to be upgraded to suit more demanding tastes. Production is now aimed primarily at Germany, Switzerland and Austria. Small and medium-sized companies are boosting exports. These smaller businesses now account for around 40 percent of Hungary's gross domestic product.

In 1989, over half of Hungary's exports were transacted in nonconvertible currencies, but by 1992 all foreign trade was convertible. Exports to Western industrial countries amounted to 41 percent in 1989. Hungary, however, retargeted its exports, and by 1992, 71 percent of Hungarian exports went to the West - and this despite the recession in Germany, Hungary's most important trading partner.

At the same time, Hungary has achieved a considerable shift in product orientation, away from heavy machinery toward consumer goods. Hungary is concentrating on sectors in which it has a lasting col food processing, pharmaceuticals and the manufacture of car components. In addition, new goods are being developed for export; these range from wild rice to vitamin tablets.

The problem for Hungarian exporters has been how to muscle into ever more competitive Western markets, but here, too, the future is looking brighter.



Decisions, decisions: At a Budapest supermarket, a wide selection of brands manufactured by leading multinationals.

free of tariffs and quota limits. Over the next three years, the remaining goods, including textiles, steel and most agricultural products, will also be freed of restrictions. An asymmetric arrangement gives Hungary an extra seven years to remove all similar barriers to EU imports.

Hungary's export industries had been unfamiliar with Western business practices. Previously, trading houses took care of the buying and selling side of the business, but suddenly Hungarian marketing managers had to acquire professional marketing skills overnight. To assist new businesses with the unfamiliar job of promoting themselves and locating business partners abroad, a matchmaking service is provided by the European Union Phare program, together with

the Investment Trade Development (ITD) agency. Contacts for customers or potential investors are passed on to Hungarian businesses eager to cut a new deal.

The Phare program, targeted at central Eastern Europe,

also helps with training, technical assistance, credit guarantees and loan schemes, as well as skills transfer, right down to teaching entrepreneurs how to draw up a business plan. similar programs in other sectors, such as meat products,

This year, ITD Hungary is running a program to promote wine exports, which it hopes will serve as a blueprint for fruit and vegetables. In short, says ITD Hungary, its job is to convince the outside world that doing business with Hungary is smart. That job is getting easier.

FROM WINE TO MEDICINE, NEW EXPORTS

nder commu-nism, the pur-a substantial change toward pose of Hungarian wine production was to produce cheap and passable table wine for export to socialist sister states. As the region underwent changes, however, members of the Szolloskert Nagyredei cooperative in northwestern Hungary realized that was not where they wished their future to lie.

With a 40 million forint (\$380,000) bank loan, they invested in new technology to keep the temperature of the fermenting wine constant and to seal it to prevent

They quickly managed to produce wines such as cabernet sauvignon and Pinot gris of a standard suitmarket.

wine production and its deep-frozen fruit and vegthe taste of Western Europeans," says Andras Nagy, president of the cooperative. etables business. In May, it plans to hit the U.S. market. "It tastes fresh, healthy and It is not just in wine profruity, with a richer flavor of duction that Hungarians ex-

the grape in the wine."

Members of the coopera-From Professor Rubik to tive still use traditional Ede Teller, Hungarians have made a name for themselves methods for their top-grade in science. Software designwines, such as the 1986 er Graphisoft's computer-Harslevelu, which won the gold medal at the Bordeaux aided design program for arwine exhibition last year. Wine made for mass consumption with the new technology has also been faring

chitects is used all over the world. Hungarian chemical Through well-known like Sainsbury's, Safeway and Azda, the cooperative sells 2 million bottles of

million dollars from both company Chinoin has an 80year tradition of research and development in medical

With the support of their new French partner Sanofi, it is now further developing its compound Jumex/Deprenyl for the treatment of Parkinson's disease; the compound is already on the U.S. and West European markets. Chinoin is also developing drugs to treat asth-



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Salami Marriage - The Hungarian Way wine a year. Of 10 million able for the West European liters produced, 75 percent to 80 percent is exported. Under Hungary's association agreement with the European Union, 80 percent of industrial exports to the EU are technological innovations, cooperative reached \$10 Last year, the income of the A century of competition ended at the beginning of April with the maintage of two Hungarian salarri companies.

HIGH MARKS FOR STOCK EXCHANGE

rading opportunities attract investors to a stock exchange, but well-enforced trading regulations keep them there. Using this stock-exchange maxim as a guide, the Bu-dapest Stock Exchange's recent crackdown on insider trading - made on the basis of newly promulgated laws - will have a greater longterm impact than the wave of "boomtown" figures attracting international investors to the exchange.

Emerging stock markets are currently the rage among international investors, and their interest has pushed stock exchanges from Warsaw to Bangkok to all-time highs. If anything, the Budapest Stock Exchange's recent 83-percent rise in its index made it something of a laggard, but this gets it high marks from institutional investors. In a mid-March report, the exchange's current average price/earnings ratio of around 19 was called "realistic" and "a good bet for future investment." The exchange's chairman, Lajos Bokros, calls current trading levels "high but stable."

Also earning the investors' approval have been the implementation in February of strict insider-trading laws and the introduction of an electronic shares and se-

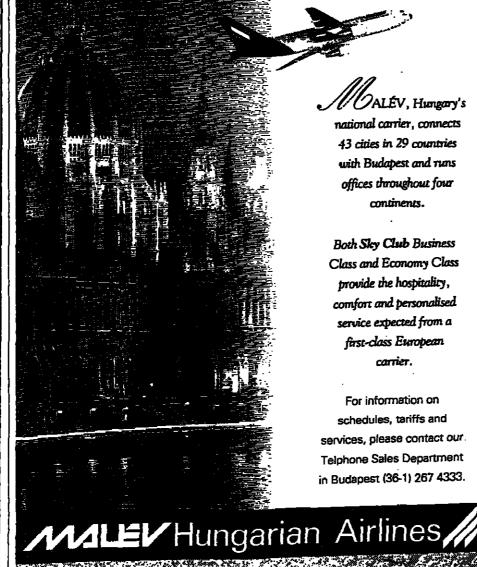
curities trading system.
Though still relatively small, with total nominal capitalization of the 71 issues traded on it amounting to some \$5.5 billion, the exchange plays a key role in the country's rapidly developing private sector. For investors, the exchange functions as a "hedge against currency devaluations" as its listings reflect internationally established values.

As a result of this increasing use, turnover exchange

Some 60 percent of the exchange's daily turnover comes from abroad, much of that through mutual funds magazines. These feature set up to channel that inter- the merits of Pick (a salami

jumped 450 percent in 1993. est. This interest has spawned articles on "how to invest in Hungarian stocks" in international business

manufacturer), Fotex (photographic developing, optics and consumer goods), Novotrade (trading) and other current exchange stars.



After more than a year of leasehold, Pick Greged III., shuated in the southern Hungarian town of Szeged, purchased the ownership rights in the Budapest-baset Herz for S9 pallion. The former mels now work together as the largest salami organizar in Hungary and the trest income in the region "All that is missing is the official approval of the Cartel Office, required because quality salara production will be cooperitated in a single

Pick and Herz

company. interestingly enough, the news of the merger has not increased prices in the Backnest Stock Exchange Bedapest Stock Exchange and the Menne telephone trading. This is not the first time that Pick has defled the experts predictions. Pick was formed at the end of 1992 with 2.22 billion forms (\$22.7 million) in prime capital, and 17,3,000 or its states. Each will a face value of 1000 forms were offered for Compensation volumers. At the time, lew pelicyed that Pick would succeed. Of its states 150,000 went to domestic distinctional laws for states and states of the law for the former offered exclusively to occupant the first distinctional laws for the former offered exclusively to occupant the first distinctional laws for t ind 100,000 were put up for obbig subscription Compensation-validher holders, who were usually extremely mistrustful, oversubscribed helishare.

The price was highly advintaged is: Those who occursed out to sell the

securities received a Pick share for a cumpensation voucher with a face value of 1,000 femals

to of principal by the stock parthering on Dec 21, 1992 was a species, and the species of the sp the latters and company led in Hungary by Tsignoric faral, had no regists about its treasing to maintain the price of the shale set. IV years, from they on the years from the or the price of Pick shakes continued to rise unhodered refuting the sometimes gloemy forereds of business who were consected. Decause the shakes were paying only a Dippercent disident applicable by grade on the Budapest. naving only a beginning disclery, and the generally low made on the Buriapes. Stock Exchange in the Senior of 1992. Then Pick states began to rise after a sickless half Startingars. But of states in the stock exchange knot some fine that a coole to no buttles that a coole to no buttles. Der brede toos almost came tree above south and senior the European spice or outside for some tree above and the made for actions against products from the made. Provide is from the gainst products from the made for and again. The restrictions of the made for all the made for al

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BUILDING A PRIVATE SECTOR IN HUNGARY

The State Property Agency's Privatization Program

Since 1990, the State Property Agency has privatized some 644 companies, of which 183 have been partial privatizations. The SPA privatizations have brought in just under \$2 billion, of which \$1.41 billion has been on a direct basis (non-credit or compensation coupons). Some 531 companies and stakes in the 183 partially privatized companies remain to be sold. The SPA's current holdings are worth nearly \$4 billion.

A Program for Every Kind of Investor

Non-Hungarian Investors

In 1993, foreign companies and individuals took stakes worth \$250 million in SPA companies, accounting for some 33 percent of all revenues received by the agency. To date, 356 foreign investors have spent some \$926 million for stakes in 421 companies. Not surprisingly, Austria and Germany are the two largest investors, accounting for more than 40 percent of total sale proceeds. Other major investing communities are the United States, the Netherlands, France and Britain.

Major Investors

The SPA has successively introduced some of the country's best-performing companies – including Pick, Zalakeramia, Domus, Primagaz and Globus - to the Budapest Stock Exchange, creating "instant blue chips." These are now staples of institutional investors' portfolios.

Owner-Operators and MBOs

To date, 9.314 retail and service outlets have been reprivatized, often sold to their former owners or current operators, in transactions worth \$370 million. An increasing number of management buy-outs (MBOs) are being financed by special credit facilities set up for that purpose. In 1993, some \$217 million was authorized for MBOs, more than double the previous year's

Company Personnel

To date, "employee stock-ownership plans" (ESOPs) have taken equity stakes in 148 companies and properties worth a total of \$311 million. Some 20,000 persons currently hold stakes in ESOP programs.

Domestic Private Investors

Through two programs, the SPA has encouraged the building of a broad base of individual shareholders in its privatized companies.

Compensatory coupons have been issued to 1.3 million Hungarians who had suffered expropriation or persecution. The total market worth of these coupons currently amounts to \$800 million. To date, the SPA has redeemed compensation coupons worth \$197 million in privatized assets. The SPA has organized special swaps of shares for coupons, granted coupon holders top priority for newly issued shares and encouraged the formation of coupon-based joint stock investment vehicles.

A deferred payment scheme has just been launched. In it, private investors can purchase shares worth up to \$1,000 (after paying a nominal registration fee) on the basis of a government-supplied interest-free loan, then take up to five years to pay it back. An initial \$40 million tranche of shares in four blue chips is currently being offered under the scheme, with some \$120 million worth of shares in 70 other companies to follow.

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SPA and Entrepreneurs **Fuel Free-Market Economy**

Before they have sent out their first tenders or printed a single catalogue, privatization agencies are often deep into two uphill battles. The first is overcoming local corporate management's reluctance to leave the sate harbor of public-sector ownership; the second, convincing international companies to consider the idea of investing in the agency's particular country.

These battles were never waged in Hungary. After more than two decades of "autonomous operations" under the Kadar regime, the country's nascent companies and their executives were highly familiar with the tenets of capitalism and eager to give them a full-scale test. Through their dealings with these companies, the world's business community knew Hungary's economy and was aware of its underlying strengths: high levels of education and qualification, coupled with an innate interest in entrepreneurial activities.

In the immediate aftermath of 1989, many international companies were therefore willing to take a good look at Hungary and to consider working with its enterprising companies. Thanks to the events unfolding in the post-revolutionary period, the international companies liked what they saw. Not only did the country quickly set up a democratic regime, but the elected coalition also has managed to serve out its term - something of an accomplishment in the Central European region. Equally gratifying was the Hungarians' wholehearted support of their new free-market economy. This has been evidenced by the founding of more than 500,000 businesses over the past four

One event that confirmed this initial positive impression was the founding of the State Property Agency in 1990. According to Tibor Pongracz, state secretary for privatization and the agency's chairman, the SPA was set up at a key moment in the country's move into the private sector.

"A lack of interest in privatization was not the country's problem," he says. "Quite the opposite. In the pre-SPA period, there was a

wave of 'on-the-spot' privatization as everyone rushed to get their own particular piece of the Hungarian economy, be it the local pharmacy or some of our largest companies.

The legacy of these "instantaneous privatizations," according to Mr. Pongracz, often was companies and properties sold under value, or at unrealistic terms and conditions, resulting in nonviable ownership structures.

This "rather chaotic situation" threatened to dissipate the country's store of economic goodwill.

The SPA stepped in and brought order to the country's privatization efforts. First, the agency organized itself. It catalogued the portfolio of companies entrusted to it and later put that information into the agency's computers for use by its specialist departments. Next, the agency used sound business principles to organize the portion of the country's privatization program entrusted to it.

The results have been impressive. In just four years, the SPA has partially or entirely privatized more than half the companies originally entrusted to it. Its cumulative sales roughly equal the value of assets still in its possession. According to Janos Hatvani Szabo, the SPA's managing director, the agency is now looking forward to completing its main operative phase by the end of 1996.

The SPA's most important accomplishment is that by adapting proven instrumentalities from other privatizers and devising a number of its own, it managed to recruit all constituent elements of the country's economy into the privatization process. It then assembled these elements, on a company-by-company basis, into corporate ownership and management.

These features include the entire price approach employed by Germany's Treuhandanstalt, in which a potential purchaser's bid is evaluated on the basis not only of cash offered, but also of jobs secured, investment commitments and the feasibility of its future operating strategy for

the company. Also now in wide use is the Treuhand's open-tender process, in which all potential purchasers enjoy the same access to information and bidding. This openness has proven especially attractive to international companies, which have invested \$926 million in the Hungarian economy through the SPA.

Many large companies privatized by the SPA have a core of major corporate investors and a broad base of corporate, private and employee shareholders. This "Anglo-American" corporate look is no accident.

Under the auspices of the SPA, these companies have been constituted as joint stock companies and listed on the Budapest Stock Exchange. Commenting on the fruits of this "pro-listing" approach, Lajos Bokros, the exchange's chairman, says: "It is a situation very reminiscent of that in Britain or in the United States, in which the country's stock and security exchanges are the primary venue of business transaction."

Also featuring the same look are the employee stock-ownership plans (ESOPs) brought into being in conjunction with privatization. "An equity stake translates into a personal stake in the company's future," says Mr. Pongracz, explaining the idea behind the introduction of schemes that allow employees to purchase stock at a reduced price. These schemes are complemented by the recently launched "Small Shareholders' Plan," in which private investors receive governmental credits to purchase stock.

"Sometimes, the SPA's job is more that of a guide than that of a privatization engineer, adds Mr. Hatvani. "Our job is often to help fully functioning companies with plans of operation find their way to the private sector."

This process, called "self-privatization," is uniquely Hungarian. To assist it, the SPA appoints expert consultants, who monitor the self-privatizers' adherence to generally applicable capital and cash-flow guidelines.

In line with the experience of most Central and East European countries, Hungary has

also undergone a massive wave of smallscale privatization, in which previous owners or current operators have assumed control over their beauty parlors, restaurants, pharmacies and farms. Many of these were paid for with coupons

One major feature of the country's economy stems from what the Hungarians call the "Belgian model." State ownership of key industrial and public-goods producers via a central holding company is standard throughout Western Europe. Hungary's version is the State Holding Company. Set up in 1992 to complement the SPA's activities, the SHC currently holds stakes in 163 companies. As situations permit and depending on the government's perception of interest, the SHC strives to reduce its equity portion in its companies to either 5 percent, 25 percent or 50 percent through privatization. In 1993, the SHC realized revenues of \$900 million from this activity. Nearly all of that was from the sales of a minority stake in Hungary's MATAV telecommunications authority. For 1994, a tranche of equity in 28 major companies – including banks, pharmaceutical producers, and oil and gas producers - is being offered to the markets.

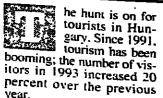
Viewed from the outside, the privatization system in all its forms and modalities seems well-constructed and operated. That impression is slightly misleading, senior SPA executives point out. As Mr. Pongracz emphasizes, it has taken "enormous amounts of effort and learning" to get the system running smoothly and efficiently.

"We have had our share of setbacks and made our share of mistakes," he says. "And this process has involved a lot of sacrifice. In the interest of accomplishing a true transformation, not just a 'paper shift' of ownership common to other privatization programs, we have been forced to let nonviable companies go into liquidation. Employees have been made redundant.

"But at the end of the day, Hungary will have a fully operational private sector, with market-proven companies. And that is what

STATE PROPERTY AGENCY =

HUNTING FOR TOURISTS (AND FISHING, TOO)



Last year, however, the government realized that

2:

Roughly halfway between Budapest

and Vienna, drivers who are forced to

leave the unfinished MI-highway may

find themselves crawling through the

too haphazard, and a survey was commissioned to establish nationwide guidelines. Among the recommenda-tions that have emerged are a call for the creation of an "attractive but realistic" tourism image for the country as a whole, with a juridical basis conforming to Euthis development had been ropean Union regulations.

GYOR: SURPRISING GEM IN HUNGARY

county town of Gyor - and be tempted to take a break. It would be a wise decision. Although renowned for the industry on its outskirts (diesel-locomotives, farm machinery, textiles and confectionery/candy). Gyor is a unique delight. Its old Baroque center, now being lovingly restored, begins harely 100 meters (330 feet) away from the main through road. The 1 th-century cathedral on Chapter Hill possesses one of the most puzzed pieces of medieval Hungarian goldsmith's work, the silver-gilt bust of King Ladisias; Down below, at the point where a branch of the Danube joins the River Raba, the fish market is likely to have farmers extolling their choice fattened geese.

Inotel with goursief restainant Not far away, a Rococo convictance, is facade intact, has been praised inside into a casino under joint Australia and Hungarian auspices: It became the third casino in the country's own namency, the foint.

The arts are extensively catered to in Gyor, with an interpational Biemial of Graphies (the next one takes place in the country's own namency, the foint.

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Emphasis is to be placed on extending the length of the tourist season, which hitherto has been limited mainly to the summer, incorporating areas largely untouched so far and raising the average amount of currency spent by visitors. In all of these respects, it was felt that the development of

Among the town x 170 designated his-

toric monuments is a former Camplite monastery, now functioning as a lowery hotel with goughst restaurant. Not far,

hunting facilities in Hungary would be beneficial. This is by no means a new

development. Hunting. shooting and fishing have a long tradition in this European heartland; with the resumption of normal tourism conditions, there is greatly increased incentive for Westerners to indulge in the country's game sports. Not many European re-

gions can match Hungary's stock of game. The world's best assortment of deer - red deer and fallow deer - can be stalked in the south of the country. Of the last nine record antlers, five were bagged in Hungary. Lesser game - particularly pheasant, woodcock, waterfowl and hare – is prolific here as well. Most of the stag population lives west of the Danube; the best examples are found between Lake Balaton and the Slovene-Croatian frontier - in the Mecsek hills and Gemenc forest, for instance.

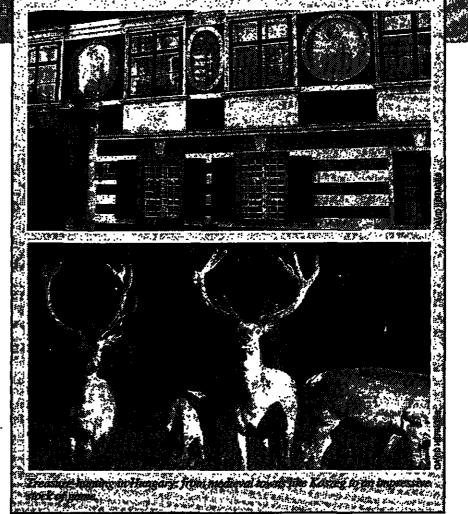
For roe deer (an estimated 250,000 head in Hungary). the best hunting fields are along the rivers Tisza and Koros in the east of the country as well as on the Great Hungarian Plain (Alfold). The roebuck kill tradi-

tionally begins on May 1 and continues throughout the summer, when it can be combined with shooting wild boar during the cornfield mowing, although there is such an abundance of this game that they can be hunted year-round.

Newer territories that are coming into fashion are the Pilis woods (only half an hour's drive north of Budapest) and the Matra and Bukk hills in the northeast, where mouflon can be spotted with the aid of local hunters. The latter should be contacted, in advance, through the intermediary of MAVAD, the 60-year old Hungarian Game Conservancy Company, at Uri utca 39, H-1014 Budapest, which will also handle requests from those who wish to import their own rifles, shotguns and ammunition.

For anglers, fishing licenses can be easily obtained on the spot. The best area to head for is Balaton, the largest lake in Central Europe, where the main catch is fogas (the delicious local pike-perch), sheat-fish and carp. The closed season for fishing extends from April 20 to May 20.

David Hermges



Preparing for Expo '96

Hungary is situated almost exactly in the middle of the European continent. The vast majority of the land is low-lying, consisting of a sizable area of flat land known as the Alföld or Great Plain in the central, south central and eastern parts of the country. Through the country flow two major rivers, the Danube and the Tisza;

Hungary has Central

Europe's largest lake,

Lake Balaton.

tolling their choice fattened geese.

Area: 93,034 square kilometers (36,307 square miles) Population: 10.5 mil-

lion Capital: Budapest, pop. 2 million. Major cities:

Debrecen, 212,000 Miskole, pop. 196,000 Szeged, pop. 175,000 Ethnic Populations: About 90-percent Hungarian. Groups of Croatians, Germans, Gypsies, Slovaks, Slovenians, Serbians,

Romanians and others

HUNGARY: FACTS AND FIGURES

make up the remainng 10 percent. Religions: Roman Catholic, 60 percent. Reformed Protestant, 20 percent.

Land use: 70 percent of land cultivated for agriculture. Climate: Continental

climate, with warm

summers and cold

winters. Average Jan-

uary temperature in

Fahrenheit). Annual Language: Hungarirainfall is about 652 millimeters.

Currency: Forints. Government: A parliamentary republic. Last elections for the 386-seat National Assembly were in 1990. Upcoming elections in

Budapest is 0 degrees

Celsius (32 degrees

Fahrenheit) and in

Useful Addresses: Tourism Tourinform (Hungarian National Tourist Information Bureau)

H-1052 Budapest July about 23 degrees Celsius (73 degrees Sütô utca. 2 Tel.: (36-1) 1179-800 IBUSZ Accommodations Office H-1052 Budapest Petôfi tér 3 Tel.: (36-1) 1185-707 Hungarian Investment

and Trade Development Company H-1051 Budapest

hibition, the nation invites Dorottya u. 4 Tel.: (36-1) 118-0051 the world again for Expo American Chamber of Commerce H-1068 Budapest

Dózsa Győgy út 84/a Tel.: (36-1) 269-6016 British Chamber of Commerce H-1011 Budapest Iskola u. 37 I/a Tel.: (36-1) 201-9142 German Chamber of Commerce H-1143 Budanest Stefánia út 99 Tel.: (36-1) 252-2478

> 12 million visitors. S.S-W.

ne hundred years \$1 billion. It has secured the corporate sponsorship of Coca-Cola and is close to signing further corporate contracts this spring, according to Expo '96 Commissioner-General Etelka Pataky-Barsi. The organiza-

must underwrite 31 percent

Scheduled for May 11 to Oct. 4, 1996, the Expo aims to further Hungary's image as a new European center and to demonstrate how communication - the Expo '96 theme - is critical for a better world.

after Hungary

hosted its first

international ex-

Sitting on the banks of the Danube, the 44-hectare (108-acre) Expo site in a mocratic reforms in 1989. busy sector of southern Buda will host about 45 national pavilions, 12 corporate ones and an estimated

Expo '96 will cost about of the overall budget, could Europe."

go it alone.

tion is still negotiating with France, Spain, Japan and the United States about their

participation. Years ago, Vienna and Budapest planned a joint Expo to foster communication between two polar political worlds. Following de-

however, the joint plan was scrapped, leaving many to wonder whether cashstrapped Hungary, which

The nation must pay for

ambitious Expo-related plans, including new toll roads into Budapest, a new bridge over the Danube, airport expansion, modernization of the Vienna-Budapest railway link and exhibition halls. The halls will later be used by neighboring univer-

Ms. Barsi contends, however, that the Expo's main challenge will be time, not money. Preparations are on a tight schedule, with little room for error.

"Time may be our biggest opponent." Ms. Barsi says. We know that by 1996, Hungary has to show that it has found its way back to

HEALTHY HOLIDAYS: CONGRESS AND CURES

preted as meaning "rich wa- An older bathing estab-ters," was the lishment, dating from the name given by the Romans to their settlement on the right bank of the River Danube, upstream from where the Hungarian capital now stands. There is ample archeological evidence that the legionaires benefited from the healthy properties of thermal springs in the area - and the tradition has been maintained to the present day.

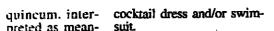
During the 15th and 17th centuries, the baths in Buda were of central importance to the Turkish occupiers. Today's tourist managers have turned the waters to good use in their incentive travel schemes, along the lines of "Come to the Congress and Combine it with a Cure."

There is indeed a good selection of convention facilities in the city, including the custom-built Budapest Congress Center (the latest extension to which was built only last year), just 10 minutes from the middle of town, and the imposing Royal Buda Palace overlooking the Danube.

Virtually the whole of Hungary is covered with a network of 22 cities and towns with mineral water and thermal springs claiming medicinal properties.
Budapest heads the list – it is the only capital city in the world authorized to call itself a "spa town" and boasts no fewer than nine watering places.

Not quite the biggest, but certainly the most luxurious, are the thermal water pools tone each, indoor and outdoor) at Hotel Gellert. This is a traditional establishment dating from the days of the Austro-Hungarian monarchy. Last year, to mark its 75th anniversary, it was given a thorough facelift.
The Gellert, open year-

round to the public, also offers special incentive packages during summer for up to 1,500 persons at a time in the form of a "Poolside Party." including dinner and dancing. Recommended clothing: collar and tie.



An older bathing estabdays of the Turkish occupation, puts on a show for up to # 50 guests (men only) under s the title "Suleiman Pasha's Harem." Recommended clothing: towels optional. Moving westward to the Lake Balaton holiday area, there is a range of several renowned spas, headed on the northwest shore by Heviz, with the largest natural hot-water spring in Europe. Outdoor bathing is possible throughout the year. Even closer to the Austri-



The Heviz spa along Lake Balaton.

an border and thus a favorite sive medicinal facilities has resort for Viennese health seekers is Hungary's youngest spa, Buk, where a rich thermal spring was discovered by chance during unsuccessful drilling for oil. A four-star hotel with exten-

now been built in this rather isolated spot. Buk is only a short drive away, by horse cab if desired, to the medieval picture-book town of Koszeg, once a frontier

On Target

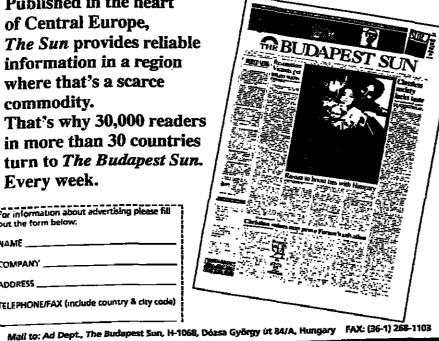
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Partnerland

Central Hungarian lectures at the Convention Center/TCM/

20th April 1994, 2:00 p.m. - 5:00 p.m. in Conference Room 3 A

2:00 p.m. - 2:45 p.m. Development of German-Hungarian economic relations Hungarian efforts to promote free trade 2:45 p.m. - 3:05 p.m. Success stories

3:30 p.m. - 4:00 p.m. Hungary as a target country for investments 4:00 p.m. - 4:20 p.m.

Privatization - an alternative to foreign capital investment in 4:20 p.m. - 4:40 p.m.

21st April 1994, 2:00 p.m. - 6:00 p.m. in Conference Room 13/14

I. Theme: National Committee for Technological Development/OMFB/

2:00 p.m. - 2:20 p.m. Hungarian innovations - tasks of the OMFB

2:20 p.m. - 2:40 p.m. Scientific and technological cooperation - tasks of the OMFB

II. Theme: Ministry of Industry and Trade

2:40 p.m. - 3:00 p.m. Role of industry in the Hungarian economy. Current industry-

political tasks of the Government.

Present situation and perspectives on German-Hungarian 3:00 p.m. - 3:20 p.m.

industrial relations

III. Theme: Ministry of Culture and Education

3:50 p.m. - 4:10 p.m. Making Hungary's higher education system match the European standard - one of the primary objectives of the Hungarian

Government.

Scientific research and technical development in 4:10 p.m. - 4:30 p.m.

Hungarian universities

IV. Theme: German-Hungarian Chamber of Industry and Trade 4:30 p.m. - 4:50 p.m. Current business position in Hungary. 4:50 p.m. - 5:10 p.m. Activities of the Hungarian Chamber of Innovations



Further information: Deutsche Messe AG - Messegelände 30521 Hannover, Phone: /0511/89-0 Telex: 92 27 28 Telefax: /0511/89-326 26 - Teletext: *30 143*

SPORTS

Scoring Drought Ends As Mariners Beat Brewers

For a while, it looked like there might be a Scoreless in Seattle se-

The Mariners, who were shut out by Milwaukee on Saturday night, and hadn't scored a run in 16 innings, finally broke through for five runs in the fourth Sunday on their

AL ROUNDUP

way to an 8-3 victory over the Brewers at the Kingdome Ken Griffey Jr. and Torey Lo-vullo each had three hits for Seattle, and starter Dave Fleming benefited from the Mariners' 13-hit

"It's pretty hard to come back after a shutout and fall behind right away," Fleming said, "It really helped to get a lead in the fourth.

That made things a lot easier." Lovullo, Eric Anthony and Darren Bragg each hit run-scoring dou-bles in the fourth off Jaime Navarro, and Bill Haselman hit a nomer in the sixth.

Seattle's manager, Lou Piniella, was beginning to wonder where the runs were going to come from for his young team, which was picked to contend this year in the AL West, but started with five straight

"That was a real blue collar inning the kind we've been looking for," said Piniella. "We knew we'd have to grind out the runs against this team, and we did."

Flemms allowed two runs and nine hits in 61/2 innings. Milwaukee took a 1-0 lead in the first when Turner Ward, whose homer accounted for the only run leading sixth save of the season and major league-leading 407th of his in the eighth career, came on after Juan Gonzasecond save.

handed Saturday, hit this one from the right side.

That blow only intensified the Mariners' hangover from the one-

"That was a tough game to lose," Lovullo said. "But that scoreless thing wasn't on our minds today. We knew we just had to ride it out we were going to break out of the slump sooner or later."

Athletics 5, Twins 1: Ron Darling, coming off two shaky starts, limited visiting Minnesota to three hits in eight innings and Mark McGwire homered for the third straight game. Darling had given up nine runs in nine innings in his two previous outings for Oakland.

Scott Erickson took the loss. Blue Jays 5, Angels 4: Ed Spra-gue dropped a single over a drawn-in infield in the 10th to score Roberto Alomar with Toronto's winning run in Anaheim, California. Alomar singled off Joe Grahe,

and after Ioe Carter's double and a walk loaded the bases, Sprague hit a soft liner that deflected off the top of first baseman Eduardo Perez's glove. Todd Stottlemyre gave up a double and a walk in the 10th, but got Gary DiSarcina to fly to center for

the final out. Orioles 6, Rangers 5: The reliever Lee Smith shut down a ninthinning Rangers rally to preserve Baltimore's victory in Arlington, Texas. Smith, who gave up two hits in picking up his American League-

in Saturday's game, homered again. lez and Jose Canseco opened the Ward, who homered batting leftruns and Dean Palmer followed with a single. Palmer later scored the same's final run.

Chris Sabo knocked in three runs for Baltimore, including a two-run homer, his first in the American In other games, reported Monday

in some editions of the Herald Tri-Royals 8, Indians 3: Kevin Ap-

pier pitched seven strong innings as Kansas City won its fourth straight and completed its first sweep in Cleveland since 1973. Appier came into the game with

a 13.50 earned run average after allowing nine runs in the Royals' 22-11 loss to Boston last Tuesday. Jack Morris gave up eight hits in

White Sox 7, Red Sox 4: In Boston, Frank Thomas and Darrin Jackson hit solo homers in the fourth inning, and Lance Johnson added a pair of RBI singles for Chicago, Scott Sanderson, making his first appearance for the White Sox, allowed one run and six hits in six innings. Roberto Hernandez got the final four outs, striking out the side in the ninth for his second save. Frank Viola allowed four runs and seven hits in 51/2 innings.

Yankees 8, Tigers 6: Bernie Williams ignited a four-run eighth with a sacrifice fly against Bill Krueger with a two-run single for New York in Detroit. Xavier Hernandez picked up the victory despite giving up a two-run homer to Eric Davis in the eighth. Jeff Reardon got his



Florida's Benito Santiago charged the Giants reliever Kevin Rogers after being hit by the ball in the eighth inning in Miami, prompting a bench-clearing brawl. Santiago and Rogers were both ejected.

Smoltz Baffles Cubs As Braves Win 10th Straight on the Road

Not much difference, says the Atlanta catcher Charlie O'Brien. O'Brien caught Smoltz on Sun-day as the pitcher struck out eight

NL ROUNDUP

Cubs, recording a 4-2 triumph in Chicago. Smoltz leads the majors with 22 strikeouts.

The victory was the 10th straight on the road for the Braves, tying a club record. The Braves are 12-1

The Cubs lost for the sixth straight time at home since the start of the season, two short of the record-setting team of 1957. O'Brien, who caught Gooden for four years with the New York

Mets, says Smoltz "is as good as Cubs starter Mike Morgan gave up four runs, three uncarned in five

Ryan Klesko's sacrifice fly gave

Atlanta a 1-0 lead in the first. A single by Smoltz started the three-run third. After the fielding error by Morgan, McGriff singled home Smoltz. Terry Pendleton's in-field hit brought home Blauser and McGriff scored when Rick Wilkins dropped third baseman Steve Buechele's throw.

Ryne Sandberg's two-run homer in the sixth, his first since last Aug. 27 - also against Smoltz - cut the

Rockies 6, Expos 5: Ellis Burks homered with two outs in the 10th

West Indian Sets

Cricket Record

Of 375 in Test

ST. JOHN'S, Antigua — Brian Lara of the West Indies blazed his name into cricket history on Mon-

day when he broke Gary Sobers's

world record, hitting 375 in the

fifth and final test against England.

The 24-year-old left-hander

passed his compatriot's record of

365 not out with a wristy pull to the

boundary and was immediately en-guifed by policemen and fans. Play was halted for several minutes, and

Sobers, who set the previous record

of 365 in 1958, was forced to wait

until the police cleared a path for

An elated Lara then knelt to kiss

the turf before resuming his in-

nings. He cracked one more glori-

the two men to embrace.

keeper Jack Russell.

and lunch was taken early.

and his personal tally at 320.

boundary of his innings.

with West Indies on 502 for four

For a few minutes he was level

with Sobers, but then took sole

charge of the record with the 44th

The Associated Press
Dwight Gooden or John Smoltz?

Stadium, putting Colorado above .500 for the first time ever at 6-5. Colorado has won four consecutive games and also has won six

straight extra-inning games. Mike Munoz, Colorado's sixth pitcher threw a one-hit 10th.

In other games, reported Monday in some editions of the Herald Tri-

Dodgers 19, Pirates 2: In Pitts-burgh, Cory Snyder hit three homers and drove in seven runs, and the Dodgers matched their highest run total since moving to Los Angeles.

Snyder had a pair of two-run homers, then added a three-run drive during a nine-run seventh in-ning for the second three-homer game of his career.

Tom Candiotti allowed two runs over six innings for his third straight victory as the Dodgers finished with 21 hits, halting a four-game losing streak and Pittsburgh's

Reds 7. Phillies 0: Tom Browning pitched a two-hitter at Veterans dium for his first shutout since May 7, 1990, the 12th of his career. It was the first victory since July 22 for Browning, who missed the end of last season because of a broken

Shawn Boskie, making his first appearance for Philadelphia since the Phillies acquired him from Chicago last week, allowed two runs and nine hits in six innings.

Giants 9. Marlins 8: Mark Portugal won his 14th consecutive decision, allowing five runs in seven innings. Barry Bonds hit a two-run homer, as did Matt Williams, who went 4-for-5.

The visiting Giants took a 9-2 lead. Ryan Bowen gave up eight hits in five innings for Florida. But the Marlins threatened with three runs in the eighth after a benchclearing fight that began when a pitch by Kevin Rogers brushed back Benito Santiago, who then charged the mound and tackled the

Veti a m

KOREBO

Cardinals 5, Padres 0: Geronimo Pena homered from both sides of the plate, and Rene Arocha rebounded from two poor starts with a five-hitter for St. Louis, which has won four of five. He struck out nine, matching his career high.

Pena, playing only because of an injury to second baseman Luis Alicea, homered left-handed off visiting San Diego's Andy Ashby in the third and hit a 3-2 pitch from Mark Davis in the seventh.

The Padres have lost seven of eight and are 2-11 overall, the worst

playing a tired stroke at Andy Cad-dick and was caught by wicket-Mets 4, Astros 2: Jeff Kent hit two more homers, including a two-run drive in the eighth at Shea Sta-West Indies immediately dedium. He has seven this season, clared at their massive 593 for five including two multihomer games. Lara had started the third day

Kent connected for a solo homer in the second off Houston's Darryl Kile and a go-ahead drive with one out in the eighth against Todd

Bobby Jones gave up five hits in eight innings. John Franco finished for his second save.

A Triumphant Berlusconi Hopes to Hang On to AC Milan

ROME — Silvio Beriusconi, triumphant owner and chairman of AC Milan, said he hoped to hang on to the club, which secured its third Italian soccer title on Sunday, despite his new political career.

"Sports clubs are not profitmaking organizations and therefore I hope to stay on," said Berlusconi, who is expected to lead Italy's next government.

Milan, which is also in the European Champions' Cup semifinals, became only the second team since World War II to win three straight league titles when it drew 2-2 with Udinese on Sunday in Milan.

And Berlusconi made it clear after the match that he took his political career seriously, saying that if his "political responsibilities" required it, he "wouldn't hesitate for a second to resign

The team's coach, Fabio Capello, said the club's continuing success was based on sound

"Milan has remained at the top, among the very best in soccer, despite changing many dif-ferent players," he said. "It means that our overall organi-

zation counts for more than individual talent."

Milan's captain, Franco Baresi, 33, said the team had yet to come to the end of a winning run in which it has won four of the last seven Italian championships as well as two European Champions' Cups and two In-tercontinental Cups.

"It's a gamble, our continu-ing success, but I remember that three years ago everybody was writing us off and nobody would have predicted us winning three in a row," he said. One player who had a bitter-

sweet view of the celebrations was the French star Jean-Pierre Papin, who played on Sunday, but who leaves to join Bayern Munich at the end of the season because he is tired of being ularly dropped by Milan. "I almost began to cry when

the fans started shouting my name," he said. "This is a great day, but I'm a little sad because I have to leave this great team. The important thing now is that Milan goes on to win the Euro-

AC Milan faces visiting Monaco in a Champions' Cup semifinal on April 27.

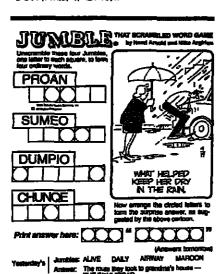


AC Milan players diving onto the grass for a glide after winning their third straight Italian soccer title at Milan's San Siro stadium.

DENNIS THE MENACE



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PEANUTS

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BEETLE BAILEY

JUST DRIVE

CAMP, JULIUS

DOONESBURY

SLOWLY AROUND

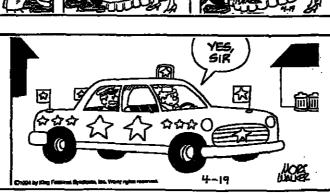


AFTER I GOT TO SCHOOL, YOU KNOW WHAT I LEARNED? I LEARNED HOW WIDE THE MISSISSIPPI RIVER IS











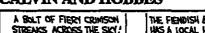
I WANT TO

OBSERVE THINGS

RECOGNIZED















WIZARD of ID





REX MORGAN



GARFIELD



SPORTS

There's the fight between Charlotte and Miami for the last spot in the Eastern Conference, the battle

NBA HIGHLIGHTS

for best record in the East, as well as several subplots for better seeding and the homecourt advantage.

The only teams fighting to extend their seasons are the Hornets and the Heat, Charlotte helped itself on Sunday, defeating New York, 107-91, while Miami was losing to New Jersey, 110-103.

Miami's lead over Charlotte has shrunk to 11/2 games, and the Heat has the tougher schedule in the final week, with games against Min-nesota, Atlanta and Indiana. The Hornets play teams with losing re-cords: Detroit, Boston and Washington.

Shaquile O'Neal had 32 points and 14 rebounds, Nick Anderson had 22 points and Anternee If the teams finish with the same record, Miami gets the playoff berth because it won the season has the tiebreaker edge over the

The Hornets, winners of six of their last seven, beat the Knicks decace record. spite playing without center Alonzo Mourning, who sat out a one-game suspension. Larry Johnson scored 22 points, Hersey Hawkins had 20, Dell Curry 15, Frank Brickowski 11 In Portland, Oregon, the Rockets became the first team in NBA hisand Kenny Gattison 10.

Nets 110, Heat 103: In Miami. Kenny Anderson had 29 points and 11 assists and Benoit Benjamin (25 points, 12 rebounds) had his sec-12 of his 27 points in the fourth ond straight strong game as New Jersey clinched its playoff spot.

The Nets will end up seeded sixth or seventh, depending on how Indiana does in its final four games. The Nets, who currently

The Associated Press

Kenya, the defending champion,

and Uta Pippig of Germany shat-

tered Boston Marathon records on

Andrès Espinosa of Mexico to win

the 98th annual event in 2 hours, 7

minutes, 15 seconds, the fastest

marathon in six years and the fifth-

and the third-fastest in history.

Ndeti pulled in front with just

over four miles (6.5 kilometers) left

but looked over his right shoulder

with about 200 yards (180 meters)

to go as Espinosa closed the gap.

But the Mexican, who won last

fall's New York Marathon, ran out

of ground and finished three sec-

onds behind. Jackson Kipngok of

2:07:51 was set by Rob de Castella of Australia in 1986. Ndeti won last

The previous course record of

Kenya was third.

BOSTON — Cosmas Ndeti of

Ndeti and Pippig Break

Boston Marathon Marks

Monday, winning a race that began for a Kenyan, Ibrahim Hussein,

with a slow pace. who did not comp Ndeti held off a late charge from in 1991 and 1992.

marathon by a woman in nine years race cold.

with me somewhere, because I've

Miami led 60-48 at halftime, but

Anderson scored 12 points in an 18-4 run at the end of the third quarter

that turned around the game. Pacers 104, Pistons 99: Indiana

also clinched a playoff spot and

tied a team record with its 17th

After Detroit led 79-78 with 91/2

minutes left, Byron Scott hit two

jumpers in a 9-0 run. Magic 118, Bulls 101: In Orlan-

do, the Magic moved a step closer to clinching the homecourt advan-

tage for the opening-round playoff

series, which probably will be

Hardaway had 21 points, eight re-

bounds and seven assists. Orlando

leads Cleveland by 21/2 games and

tory to make 400 3-pointers.

Houston was 10-for-18 from long

range for the game, with Vernon Maxwell going 6-for-11 and scoring

quarter. Maxwell hit three 3-point-ers during a 22-5 run that broke the

The previous record for 3-point-

crs was 398 by Phoenix in 1992-93.

thon ever, 2:06:50, was run by Be-

layneh Dinsamo of Ethiopia in

It was the fourth straight victory

who did not compete Monday, won

The Boston Marainon record to

women was Joan Benoit Samuel-

son's 2:22:43 in 1983. The world

best of 2:21:06 was set by Ingrid

Kristiansen in 1985 in London

Rotterdam in 1988.

game open in the final period.

road victory of the season.

against Cleveland

Anderson said,

Hornets Gain Edge On Heat in Duel For Playoff Spot By Ian Thomsen International Hends Tribuse TEL AVIV — The Israelis, who know TEL AVIV — The Israelis, who know for throwing coins. The something about conflict, plan to assign. TEL AVIV — The Israelis, who know for throwing coins. The something about conflict, plan to assign. TEL AVIV — The Israelis, who know for throwing coins. The something about conflict, plan to assign. TEL AVIV — The Israelis, who know for throwing coins. The something and for opposition in Burope. He was a Nastocal Baskethall Association all-star when forced are known for throwing coins. The something and for problem in Burope. He was a Nastocal Baskethall Association all-star when forced a favorite son. The former is 2.17-meter Stoyan Vranstocal Baskethall Association all-star when forced a favorite son. The former is 2.17-meter Stoyan Vranstocal Baskethall Association all-star when forced a favorite son. The former is 2.17-meter Stoyan Vranstocal Baskethall Association all-star when forced a favorite son. The former is 2.17-meter Stoyan Vranstocal Baskethall Association all-star when forced a favorite son. The former is 2.17-meter Stoyan Vranstocal Baskethall Association all-star when forced a favorite son. The former is 2.17-meter Stoyan Vranstocal Baskethall Association all-star when forced a favorite son. The former is 2.17-meter Stoyan Vranstocal Baskethall Association all-star when forced a favorite son. The former is 2.17-meter Stoyan Vranstocal Baskethall Association all-star when forced a favorite son. The former is 2.17-meter Stoyan Vranstocal Baskethall Association all-star when forced a favorite son. The former is 2.17-meter Stoyan Vranstocal Baskethall Association all-star when forced a favorite son. The former is 2.17-meter Stoyan Vranstocal Baskethall Association all-star when forced a favorite son. The former is 2.17-meter Stoyan Vranstocal Baskethall Association all-star when forced a favorite son. The former is 2.17-meter Stoyan Vranstocal

the caps removed. This is mainly because the Greeks have arrived.

really been stepping up my game and doing everything I have to do to help take us into the playoffs," There was speculation last month that security concerns following the Hebron massacre would force the removal of this Final Four from Israel — but this was only numor, assures a spokesman for FIBA, the nternational basketball federation. Alas, the Greek threat is no rumor. With

Olympiakos Pireus opposing Panathinai-kos in the first semifinal, Greece is assured of its first appearance in the European Championship final, which is to be played here Thursday.

Spain will supply the opponent, for the other semifinal pits Joventut Badalona

Championship from Anthens.

This midweek will go far to decide what the country's reputation will be. If the Greek league had not become known as the dominant basketball power pool in Europe, then most likely another reputation would have surfaced: that as the country to introduce soccer-style hooliganism to bas-

The first reputation is more attractive. While the recession has gnawed at the game in Italy and Spain — home of inflated player salaries in the 1980s — the kos of either silencing or out-shouting Greeks have flourished. In Roy Tarpley, 2.10 meters and still just 29 years old, center (3d string behind Parish for one

Zarko Paspali, who was unable to adapt culturally during a short trial with the NBA's San Antionio Spurs in 1989-90. Olympiakos has the closest thing the Con-tinent has know to the celebrated Boston Celtics front line of Larry Bird, Kevin McHale and Robert Parish.

The comparison grows more valid in light of the departure of European talent to the NBA in recent years. They have produced 54 of the team's 74.4 points per game in Europe this season. Everything happens inside for them, and the job at Panathinai-

maintained his advantages at an age when most guards can't keep up. He led the European championship in assists and points (25.2 per game) this season, and if his rival is allowing him to take the game in his hand from the outside, Olympiakos won't like its chances.

In this year of Greek dominance, the Spanish are considered underdogs. In this tournament, that is a blessing. Last year's champion, Limoges of France, which sent Benetton's Toni Kukoc to the NBA with his first Final Four loss, can explain why. A more sensational opponent for Barcelona would have been Real Madrid and Arvidas dance with United Nations sanctions.

The lesson of Limoges is to respect Badalona. Badalona's Serbian coach, Zelko Obradovic, made his name at Partizan Belgrade with a European final upset in 1992 ainst none other than his current team.

■ Ołympiakos Seeks Serbs' Return

Officials of Olympiakos said on Monday that Serbia should be allowed to return to European basketball compenitions, Reuters reported from Tel Aviv.

"We are all sad that Serbia are not participating in this competition as they are a major force in European basketball," said the Greek club's president, Socratis Kok-

"I hope we will soon have peace in former Yugoslavia because we want all their teams to participate in European tourna-

Serbia has been banned from competing in international sports events in accor-

Caps Stop **Penguins** In Opener

Cavs because of its better confer-Chicago had its 10-game winning streak ended and failed to move The Buffalo Sabres have taken the home-ice advantage away ahead of New York in the threefrom the New Jersey Devils in the team race for best record in the East. National Hockey League play-offs. Don't tell the Washington Rockets 119, Trail Blazers 110: Capitals they have an advantage, though, even after winning the

> While the Sabres beat the Devils 2-0 in East Rutherford on Sunday to take a 1-0 lead in the East-

opener at Pittsburgh.

NHL PLAYOFFS

ern Conference opener, the Capitals beat the Penguins, 5-3. But the Capitals have a recent history of winning openers and losing series against Pittsburgh. The Penguins won Stanley Cups in 1991 and 1992 after losing play-off series openers to the Capitals. They won four straight after losing the first game in the 1991 divisional finals and took games 6 and 7 in 1992 after trailing 3-2 in the first-round series.

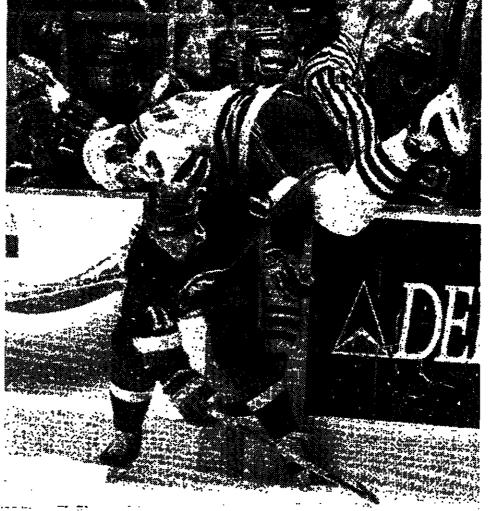
The Capitals, who finished 13 points behind Pittsburgh in the Eastern standings, on Sunday wore down Pittsburgh with patience and defensive pressure.

They sealed their victory on Joe luneau's breakaway goal at 10:34 of the third period for a 4-2 lead. Washington's Peter Bondra and Mike Ridley scored 2:22 apart in the second period to reverse a onegoal Pittsburgh lead.

Pippig won by a more comfortable margin in 2:21:45, the fastest

York Marathon, fought off a pre-Pittsburgh was 25-9-8 at the Civic Arena during the season, the NHL's third-best home record. The Capitals are 3-0-1 in their last Keith Brantly of the United States took the lead from Nivaldo Filho of Brazil 2.72 miles into the four against the Penguins, but had won just one of their previous five race and held it until just after the in Pittsburgh. 15-mile mark of the 26-mile, 385-The playoffs continue Monday yard race when he was passed by a

with the Islanders visiting the pack of about 10 runners. Rangers and Montreal at Boston They went ahead by picking up what had been a slow pace despite in the Eastern Conference, and San Jose at Detroit, Chicago at Toronto and Vancouver at Calgaweather conditions — temperatures in the high 40s Fahrenheit ry in the West. (about 5 centigrade) and a strong Sabres 2, Devils 0: Dominik tailwind -- that were conducive to Hasek brought his regular-season



The Islanders' Darius Kasparsitis flipped the Rangers' Sergei Nemchinov in their playoff game.

altending brilliance to the play-

offs by stopping 30 shots. Seldom-used Todd Simon provided all the offensive support Hasek needed by scoring his first NHL goal on a 4-on-3 power play late in the first period. Alexander Mogilny added an empty-net goal

with 8.2 seconds to play. Hasek, whose 1.95 goalsagainst average this past season was the best in the NHL since Bernie Parent had a 1.89 GAA in the mid 1970s, was the difference in the game, particularly in the second period when the Devils outshot Buffalo 13-5.

"I had a good season, that's why I feel confident now," said Hasek, who stopped a league-high 93 percent of the shots he faced this past season. "I think I saw every shot except one in the third. Fortunately it hit me in my pad." In an earlier game, reported Monday in some editions of the

Herald Tribune: Stars 5, Blues 3: In Dallas, Darcy Wakaluk stopped 33 shots in a surprise start over No. 1 goaltender Andy Moog, leading the Stars over St. Louis in the first NHL playoff game in Dallas. Wakaluk started his first playoff game in goal instead of Moog, the 10th winningest goalie in NHL history, who struggled to a 24-20-7 record and an average of 3.27 goals-against in the regular St. Louis tied it 3-3 early in the

third period on a power-play goal by Brett Hull and a 60-foot wrist shot by Phil Housley. But Grant Ledyard tipped in a shot by Craig Ludwig with 3:49 left and Trent Klatt sealed it with 1:37 to go on a pass from Mike Modano.

Dallas got off 45 shots at Curtis Joseph, who is 13-10 in playoff

Unsung Sharks: A Polyglot Miracle

New York Times Service

SAN JOSE, California - At first, Arturs Irbe was teased by his teammates. They still roll their eyes when Irbe enters the San Jose Sharks' locker room, or boards a plane, wearing one of his ersatz ties. 'I don't know if it's possible, but one is uglier than the other," said defenseman Jeff Norton.

The ties are actually pieces of cloth about three feet long and two inches wide. One is off-white in color, with an interlocking green and brown design that looks faintly American Indian. "You want to see it?" Irbe asked earnestly.

"It's a good luck charm," he said, as he let the tie roll over his fingers. "It's a belt, a rope, but I wear it as a tie. They made it in our country in the 13th century. It is native colors. I got it when I was 4 years old, in kindergarten. I try to keep my identity as a Latvian. I'm proud to be a Latvian.

Irbe is also the backbone of a team that set a record for the biggest single-season improvement in the 76-year history of the National Hockey League, the one whom a polyglot of players rally around. The Sharks finished the regular season with a 33-35-16 record, good for the final playoff spot in the Western Conference, where they will face Detroit in the first round, beginning Monday night. It is a remarkable turnaround for the Sharks, who were 11-71-2 a year ago. The Shark players come from everywhere. Mixed with the usual

assortment of Canadians and Americans are two Swedes, two Czechs, two Latvians and three Russians. The Sharks also brought aboard a Russian assistant coach, Vasily Tikhonov, son of Viktor Tikhonov, the legendary coach of the Soviet teams. And Irbe is the common thread, who brought together Tikhonov

and Kevin Constantine, the Sharks' new head coach. Tikhonov coached both Irbe and Sharks defenseman Sandis Ozolinsh in their native Latvia. And Constantine won the International Hockey League championship in 1991-92 with the Sharks minor-league affiliate, the Kansas City Blades, with Irbe as his goaltender.

The transformation began when the Sharks promoted Constantine last summer. Constantine, 35, had neither played nor coached a game in the NHL, but has won the team over with a commitment to The result: the Sharks, who gave up 414 goals last season, surren-

dered only 265 this seasons and they have the fewest penalty minutes of any team in the league. The management acquired four of the Sharks' top five scorers through trades or waivers. The Sharks made trades for the star Russian wing Sergei Makarov and play-making forward Ulf Dahlen. Centers Todd Elik and Igor Larionov, castoffs with previous teams,

were claimed on waivers. Of the top five scorers on the team. only Ozolinsh, drafted by the Sharks in 1991, was on the team last season. Ozolinsh, Ray Whitney and Pat Falloon, all of whom are 21,

provide the Sharks with a foundation on which to build. More mediate results came when the Sharks reunited Larionov and Makarov, who for a decade were the top players on the former Soviet Union's powerful Red Army team. They first chafed under Constantine's disciplined style, but are now allowed to play a free-wheeling game. Makarov, at 35 the oldest player on the team, even older than his coach, led the Sharks during the regular season with 30 goals. Irbe is the ironman on defense. He played in 74 of the Sharks' 84

games this season and was on the ice for 4,412 minutes, a singleseason NHL record. Weighing 180 pounds, but only 5 feet 8 inches, he is small for a goaltender. He makes up for his size with quickness.

SCOREBOARD

THE SERVICE SERVICE Major League Standings AMEDICAN LEAGUE ,636 ,636 ,615 ,545 .600 .545 .545 .583 ,462 ,364 ,364 Mew York Philadelpi Flarida Mantreal Cincinnati St. Louis Sunday's Line Scores

AMERICAN LEAGUE 187 118 994 420—8 10 8 1 966 190 200—3 6 1 Belinda (8), Pichardo (9) and Mac Apper, Seifinds (8), Pickertos (7), Olank (8), fortone: Morria, Seron (7), Plunk (8), A.Turner (8), Forr (9) and S.Alemor, W.—Ap-eler, 1-2, L.—Morris, 1-1, MRS.—Konsos City, M.Turner (8), Forr (9) and S.Alemor, w-Appler, 1-2. L-Morris, 1-1. HR3--Ganoux City, Homelin (4), Clevetand. Belle (1). Clicose 818 201 200-7 18 9 Beston 196 900 936-4 10 3 Sanderson. McCaskill (7), Hernandez (8) and Karlovica; Violo, Bankined (6), Heskell (8), Guantrill (8) and volle. W-Sonderson. 1-6. L-Viola. 6-1. Sv-Hernandez (2). HR3-Chicoso, Thomas (5), Jackson (4). Bestina, Greenwell (3), Vougán (2). sed (3), Voughn (2), 903 881 989-8 12 2 902 118 028-6 9 1 904 X.Hernandez (7), Ragrejon (7) New York

Mulholland, X,Hernandez (7). Reardon (9) and Stanley: Guillickson, Krueger (6). Gardi-ner (8). Boever (9) and Tertieban. W—XHer-nandez, 1-0, L—Krueger, 0-1. Sv—Reardon (2). HR—Defreit, E.Davis (2).
Microsofte 196 866 960—1 3 1
Oskidand 606 211 86x—5 12 6
Erickson, Casion (6). Trambley (7) and

Parks: Dorling, Taylor (9) and Hemond-W-Dorling, 71, L-Erickson, 1-2, HR--Oak-118 906 916—3 31 3 806 501 20x—8 13 8

eny, Surhoff (2), W—Flemina, 2-1, L—Noverta, 1-1, HRs—Milwaukse, T.Ward (2), Seattle, Hoselman (1). R9—Naireanni (1). 188 129 800 1—5 9 983 800 918 9—4 9 C18 temintos) California BC BC BC BC BC CALL 990 200 136—4 11 800 970 873—5 14 Texts: 800 918 873—5 14 8 S.Fernandez, Williamson (4), Poole (8), Mills

S.Fernandez, Williamson (4), Poole (8), Mills (9), LSmith (9) and Holies; Armstrone, Drever (5), Hursi (7), Cerpenter (8), Whiteside (8) and Rodriguez. W-Williamson, 1-8. L-Armstrone, 0-1, Sw-L-Smith (6), HSR-Orioles, Sabo (1), Texas, Genzolez (3), Cerseco (4), MATIONAL LEAGUE
Houston
Houston Kile, T.Jones (8) and Servois; B.Jones, Fran-co (9) and Hundley, W.—B.Jones, 2-1. L.—T.Jones, 9-1, Sv.—Franco (2). HRs.—Houston, Bapwell (3). New York, Kent 2 (7), Hundley (2). Ciscionetti 629 800 302–7 16 2 Philladelphia 600 806 906—9 2 2 Browning and Dorsett; Baskie, Munac (7), Williams (9) and Pratt. W.—Browning, 1-0. L.—Brekin, 6-1.

(7), Willie (7), Willie (7), Willie (7), Willie (7), Cooke, 9-2 HTS-Los Angeles, Smyder 2 (3), Mondest (1). See Diego 90 898 692-0 5 8 93. Losis 911 829 392-5 8 8 Ashby, Pu,Marrinez (5), M,Dovis (7), Hoffman (8) and Johnson; Anchia and T,MaGrisi, W-Archol, 1-1. L-Ashby, 9-2 HTS-G-Pena 2 (2). See Francisco 90 312 296-9 14 6 91 90 339-8 17 1 Portugal, Rogers (8), Frey (8), M,Jacisson (8) and Memoorfing: Bowert, Gardear (6), Nen (8).

Portugal, Rogers (8), Fray (8), M. Jackson (8) and Microworker; Bowen, Gardner (6), Nen (8), Y. Perse (9) and Santiago, Trinsley (9), W.—Portugal, 2-0, L.—Bowen, P-J. Sv.—M. Jackson (2), HRS—San Francisco, McGee (7), May (4), Bonus 103 but Atlanta 880 082 865—2 & 2 Chicage 880 082 865—2 & 2 Chicage 103 McAlichael (9) and O'Scient Morgan, lister (5), Please (7). Bactisto (8) and Wilkins, W.—Smaltz, 2-1, L.—Morgan, 0-2, Sw.—McMichael (4), HR.—Chicage, 21 3

(18 Innings) Rueter, Show (6), Rolas (6), Scott (7), Welte-

The Michael Jordon Watch

SUNDAY'S GAME: Jordan went 2-for-SUNDAY'S GAME: Jarozza went 2-tor-4
with one stolen bose. He bounced weakly to
second bose in the second limiting, had a share
stately to left in the fourth, a lazy fly drup in for
a hit in the seventh and a pop up to second in Jordan also stale his fourth base and went to

base in the seventh, but it took six throws to end the rundown. Jordan fielded a one-hop single cleanly for his only chance in the field.

SEASON TO DATE: Jordan is 7-for-22—all bases. He is erroriess in 17 chances. HOCKEY

Dothus 9 2 3—5
First period—No scorins Penalties—
Boron, St. (halding), 8:25; Zombo, St. (roughing), 11:47; Zanolek, Dei (roughing), 11:47; Zanolek, Dei (roughing), 11:17; Cavallini, Dei (hooking), 14:08; Nedved, St. Loras-Checking), 13:81; Housley, St. (eflowing), 15:81; Mahyichuk, Dal (siashing), 15:81; Mo-done, Dal (interference), 15:54; Kiatt, Dal (interference), 18:41.

(Interference), 18:A1.
Secand period—1, Dollas, Gosner 1 (Le-dword, Cavellin1), 3:50 (pp.), 2 Dollas, Glich-rist 7 (Courtnell, Cavellin1), 5:15 (pp.), 3, 51.
Louis, Kosodonon 1 (Shomahan, Hull), 14:06, 4, Dollas, Glichrist 2 (Courtnell, Madiano), 15:31.
Penalites—Roberts, St. L (Interference), 2:45; Shamehan, St. (Interference), 2:37; Chass, St. (roughing), 5:26; Harcher, Dol (roughing), 5:36; M Revise, Dol (Interference), 4:27; Mod. victuik, Doj (hooking), 12:05. Third period—5. St. Louis, H

5:26; N.Brotes, Dol (Invarier and J.): 27; marvichuk, Dol (hooking), 12:26.

Third period—5, St. Louis, Holl 1 (Jonney, Housley), 5:10 (pp), 6, 5t, Louis, Housley 1 (Duchesne, Shenathon), 14:39 (pp), 7, Dollas, Ledyard 1 (Lucheis, Courtnell), 16:11, 5, Dollas, Klott 1 (Medane, Zmolek), 18:23, Pandies—Ledyard, Dol (holdine stick), 3:23; Medane, Dol (trippine), 6:09; Roberts, St. (hookins), 6:09; Roberts, 5tl. (hookins), 6:09; Roberts, 5tl. (roughins), 10:14; Baron, St. (crush-ins), 10:14; Zorabo, St. malor (flatities), 10:14; Jonne, St. (crushins), 10:14; Horicher, Dol (roughins), 10:14; Evenn, Dol (roughins), 10:14; Churic, Dol (malor (flatities), 10:14; Madvichuk, Dol (frippins), 13:49; Ledyard, Dol (crush-checkins), 20:0.

Shotta en gool—St. Louis 10-47—36, Dollas 21-17—45; Power-slay opportunities—St. Louis 2 of 7; Dollas 2 of 7; godiles—St. Louis, 10-63-33.

Washington

Pfitsburgh 2 9 1—3 First period—], Washinston, Khristich 1 (Husser, Bondro), 4:49, 2 Pfitsburgh, Le-mieux 1 (Tocchet, Murphy), 17:16, 3 Pfits-burgh, Mutlen 1 (Logr, G.Brown), 14:14, Pen-dilles—Juneau, Wes (Iripolog), 2:09; Jones, Was (Iripolog), 6:41; Francis, Pit (Isooking),

Was (trissing), 6:47; Francis, Pit (tsooking), 16:06; Hunter, Was (roughing), 19:43; Tog-lenetti, Pit (roughing), 19:43.

Second period— "Woshington, Bondro I (Junchus, Burridge), 11:57.5, Washington, Ridley, 1 (trincher, AMier), 13:49. Periotities—Sievens, Pit (hokiling) in silicki, 4:39; Reside, Was (high-sticking), 8:15; Hetcher, Was (high-sticking), 10:08; G.Brown, Pit (tripsing), 19:08; Stroke, Pit (hokiling the stick), 18:23. Third seriod—"Washington, Juneou 1, Third seriod—"Washington, Juneou 1, Third period—6. Washington, Juneau Third Perfor—6, Westmann, Jones II.
19:34.7, Pitisbursh, Lemieux (2 Murphy, Joer).
19:14. B. Washington, Pivoska 1, 19:26. Penalties—Johansson. Wos. (helding). 4:03; Khrisnich, Wos. (roughing). 13:15; K. Samuelsson. Pit
(roughing). 13:15; Francis, Pit (hooking).
14:45; Totchel, Pit, minor-misconduct (roughing), 18:58; Helcher, Wos. (hooking), 19:11.

Shots on gool—Washington 17-10-9—31. Pilisburgh 15-6-9—30; power-play opportunities—Washington 0 of 5; Pilisburgh 0 of 4; coodies—Washington, Beoupre, 1-0 (39 shots) 7 soves), Pilisburgh, Barrusso, 0-1 (31-26).

Buttolo 1 6 1—2
New Jersey 5 8 8—8
First berlot—1, Buffolo, Simon 1 (Hower-chuk), 19:49 (pp), Pendilles—Corpenter, NJ
(Interference), 3:20: Bodser, Beil (helding),
5:13: May, Buf, mojor (fighting), 15:18; Petuso, NJ, mojor (fighting), 15:18; Ray, Buf
(high-sticking), 18:22; Donavica, NJ, (highsticking), 18:22; Sonavica, NJ, (highsticking), 18:22; Sonavica, NJ, (highsticking), 18:22; Sonavica, NJ (highsticking), 18:22; Sonavica, NJ (highsticking), 18:22; Sonavica, NJ (highficking), 18:22; Sonavica, NJ (highficking), 18:22; Sonavica, NJ (highficking), 18:22; Sonavica, NJ (highficking), 18:23; Modello, Ruf (roughing), 13:23. nce), 17:54; Mollar, Buf (roughing), 13:23. chuk, Bodgeri, 19:57 (en). Penaities—Car-penter, NJ (cross-checkins), 9:28; Smehille, Buf (high-stickins), 11:19; Zelepukin, NJ (high-stickins), 14:18. Shoft un soot—Buffolo 13:55—23. New Jer-Shoft un soot—Buffolo 13:55—23. New Jer-

BASKETBALL

12 3-4 17, Loetiner 7-16 5-6 19. Rebounds—Denver 52 (Ellis, Mutombo 9). Minnesota 44 (Loetiner 12). Assists—Denver 31 (Pack 8). Minnesota 27 (Williams 12). NJ: Benjamin 9-13 7-9 25, Anderson 11-24 6-6 27; Mr. Sollery 7-10 4-6 19. Smith 5-12 9-9 19. Reboonds—New Jersey 3-6 (Benjornin 12), Micmil & (Rice 10), Assists—New Jersey 23 (Anderson 11), Micmil 23 (Smith 7).

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29 28 23 21—167 35 24 30 29—118 ppen 15-24 24 34 Grount 7-22 3-5 17; O: P: Strickland 10-20 8-0 20, Kersey 9-14 6-9 24

Rebounds—Houston 55 (Choluwon 12), Port-land 54 (Kersey 11), Assists—Houston 31 (Max-well 8), Portland 29 (Strickland 9). AUTO RACING

Long Beach Grand Prix

The order of fisish of Indy-cur ruce in Loss Beach, California: 1, Al Unser Jr., U.S. Fensice-limor Vs-D, 195, 99.283 mph (197.746 kph); 2, Nigel Manuell, England, Lolo-Ford Cosworth XB, 105; 3, Robby Gordon, U.S., Loly-Ford Cosworth XB, 105; 4, Rout Bossel, Brozil, Loh-Ford Cosworth XB, 104; 5, Mario Andretti, U.S., Loio-Ford Cosworth XB, 104; 6, Michael Andreth, U.S., Reynard-Ford Cos-worth XB, 104; 7, Mouricia Guselinia, Brozil.

Raymond Ford-Cosworth XB. 194; & Adrian Pernandez, Mexitox, Raymond-limor V&-D, 194; 9, Teo Fobi, Holv, Reymond-limor V&-D, 194; 10, Stefan Johansson, Swedan, 1993

TRANSACTIONS BASEBALL

American League
BALTIMORE—Activated Sid Fernandez,
Atther, from 15-day disabled list. Optioned
Damon Butord, outfielder, to Rochester, IL. BASKETBALL National Bosketbett Association BOSTON—Activated Most Weastram, for-word, from Injured Fist,

PHOENIX—Signed Selfs Joyner, Ilneback-er, to 5-year contract. COLLEGE

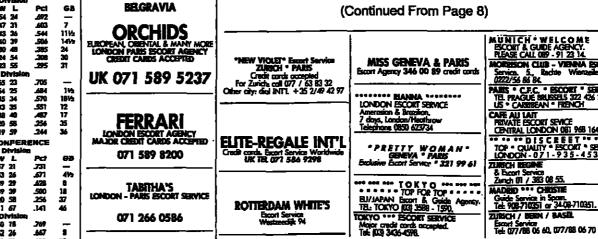
Inelags. Monday, is Sherjot, U.A.E. iew Zealand: 217-8 (50 overs) in Lanka: 215-9 (50 overs) New Zealand won by two runs

CRICKER

GOLE Heritage Classic

Flack scores from \$1.25 mbillos tournament on 4,914-yant (4,224-meter), par-71 course to Hillen Head, South Carolina: Hale Irwin 68-65-65-68-266 Greg Norman 67-66-67-68-268

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ART BUCHWALD

Whitewater Answers

WASHINGTON — There Jim McDougal was a Good Friend seems to be some confusion of Bill. about Whitewater. So let me answer some of your body's?"

"What is Whitewater?" It's an underground river that runs through

Arkansas eastward right into the White House Rose Garden. "Is that all?" It is also a real estate investment. Some Ar-



Buchwald along the banks of the Whitewater

and lost their shirts. "What's wrong with that?" Nothing, except that nobody in the White House knows exactly how many shirts the president and his wife lost.

'What's wrong with that?" The project was financed by the Madison Savings and Loan in Little Rock, and the bank went under with \$60 million of the taxpayers'

"What's wrong with that?"

No one seems clear about the relationship between the bank and the Clintons. They only know that

'The Piano' Rated X **By Manila Film Board**

MANILA — Jane Campion, the New Zealand film director of the Oscar-winning movie "The Piano." has rejected any cuts in the film, and local distributors are urging Philippine censors to lift the ban on it.

"This is an art film and the scenes in question are handled artistically and tastefully and cannot possibly be deemed to be offensive," Campion said in a letter to Jema Films distributors in Manila. "I feel that it will be a lesser film if any scenes are removed and that it will be rendered incomplete," she said.

Jema Films has appealed to the Movie and Television Review and Classification Board, to lift its ban. The board, which had given the film an X rating and declared it "unfit for public viewing," said it would rule on the appeal Tuesday.

"What business is that of any

None, except that every time the president discusses Whitewater he comes up with a different number for his losses and that confuses the American people.

"Maybe he had a bad accoun-

tant. That's a given. Whoever was keeping the books for the prez should be sent to a maximum security boot camp for life.
"Did Mrs. Clinton's investment

in the commodities market have anything to do with Whitewater?" Not unless she bought futures in frogs' legs. They say that she went into commodities hoping to recoup the money she had invested in Whitewater, Although the Clintons did not know too much about real estate, they became experts on soy-

beans when they were at Yale.
"Is the press being unfair by pursuing every investment the Clintons made?"

Nobody is blaming the Clintons for their investments. But the me-dia has a right to know where they found so many lousy accountants.

"What can the average American citizen do to show support for the

Buy one of the lots in Whitewater. Almost all of them are still for sale. If it became another Levittown, the president would be vindicated for his business judg-ment in real estate and be hailed as another Donald Trump. "All this happened years ago.
Why is it suddenly coming up

Except for Bosnia, things are very quiet around the world, and Whitewater gives everyone a chance to read about something that doesn't affect them. Besides, Americans feel better knowing that even their president can't fill out a tax form correctly.

"Do you think that Hillary will play the commodities market

She'll probably try to stay out. Unfortunately, she's stock with 500 tons of goose livers and she's going to have to unload them fast. "Is Whitewater another Water-

No, but it isn't Sun Valley either.

Shock Waves in Paris Over a van Gogh

By Alan Riding
New York Three Service

PARIS — Even though repeatedly rebuffed by the Culture Ministry, Jacques Walter kept lobbying throughout the 1980s for permission to take his van Gogh painting, "Garden at Auvers," out of France, first to hang it in his Geneva home, later to sell it for a better price than

Finally in December 1992, after a decade of frustration, the 86-year-old retired mine operator auctioned off the painting in France, selling it to a Paris banker for \$9.5 million, less than one-sixth of the value he believed it was worth on the international market.

But if the Culture Ministry thought this was the end of an irritating affair, it underestimated the wrath of Walter and his son, Jean-Jacques, who are both French citizens.

In barely 16 months, they have turned a squabble over a ainting into a major headache for the government. Walter's first move was to take the French state to court to seek compensation for losses stemming from the fact that the oil, painted in 1890, bought by Walter in New York in 1955 and brought to France in 1957, and been default a national treasure and was not allowed to leave the country.

Last month, a lower court in Paris ruled in Walter's favor, not only ordering the state to pay him \$72.7 million to cover the difference between the painting's value here and abroad, but also setting a precedent that sent shock waves through French government and museum circles. "Without speedy and radical changes in the law and

serious fiscal incentives for collectors, it is to be feared that crucial pieces of our national heritage still in private hands will leave France forever," the French Committee of Art History said in response to the ruling.

The Culture Ministry, which classified "Garden at Auvers" as a national treasure in 1989, promptly filed an

appeal.
"It was an amazing decision," a senior ministry official said, noting that if the Appeals Court confirmed the original verdict, further appeal to the Supreme Court was likely. "They'll lose again just as I said they'd lose the first time," Philippe Peninque, a lawyer who represents Walter, said confidently. "The only difference is that they'll also

have to pay interest accumulated since the March 22 decision. The appeal is costing them \$17,000 a day."

Just in case, Walter has also taken the case to the European Union's executive commission, arguing that the export ban violated a regional agreement on the free movement of goods, and to the European Court of Human Rights, claiming that compensation was required by the French constitution.

Yet whatever the outcome, the legal war against the French state will go on because Walter has already opened up an even more striking front, this time claiming ownership of the extraordinary Walter-Guillaume collection of Impressionist paintings housed in the Orangerie Museum

This collection, estimated by some experts to be worth between \$860 million and \$1.4 billion on the international art market, comprises 144 paintings, including 24 works by Renoir, 22 by Soutine, 16 by Cezanne, 12 by Picasso, 10 Matisse, nine by the Douanier Rousseau and five by Jacques Walter claims that the collection was sold

illegally to the French state by his stepmother, Domenica, who inherited half the paintings from her first husband, Paul Guillaume, an art dealer and collector, and the other



"Garden at Auvers," painted by van Gogh in 1890, has become a major headache for the French government.

half from his father and her second husband, Jean Walter, also a collector.

Walter argues that the two-part sale in 1959 and 1963 "for a symbolic amount" totaling \$660.000 was in fact a donation in disguise because, he says, Domenica Guillaume-Waiter herself provided the money that enabled the Society of Friends of the Louvre to purchase the collection. His lawyers say that in the case of a donation. French

law protects Walter's and his two sisters' right to inherit 75 percent of their father's legacy. Walter has therefore now asked a Paris court to revoke the sale-donation and to return the entire collection to the Walter family. A ruling expected before the end of this year. For the Culture Ministry, the sale was perfectly legal.

You have to remember that the art market then was not what it is today." said Catherine Pinton, a legal adviser in You also have to take into account all the money spe

by the government restoring the Orangerie," she said. But after the van Gogh ruling, the ministry is worried. Yet, remarkably, neither the compensation claim nor the claim to the Walter-Guillaume collection had caught the public's attention here until February when French newspapers reported that an investigating magistrate,

20 Department

23 George Sand,

21 Behan's "

Renaud Van Ruymbeke, was looking into the possibility of corruption in the van Gogh case.

Jean-Jacques Walter, 61, an engineer who represents his family's interests in Paris, said that his father had twice been told by intermediaries that permission to export "Garden at Auvers" would be forthcoming if he made an payment to Culture Ministry officials. But, Walter said.

his father rejected the offers. In contrast, he said he knew nothing about the case that attracted the attention of Van Ruymbeke, who was already investigating allegations of illegal payments to France's Socialist Party.

According to Le Monde, the judge found documents from 1989 suggesting that a potential buyer of the van Gogh was willing to pay a \$1.5 million bribe to obtain an export permit. The judge, who then looked into other reports of attempted corruption in the case, has now completed his report, although it is not known whether he recommended that charges be brought.

While this investigation has whethed the French appetite

for scandals, though, it is the van Gogh and the Walter-Guillaume cases that most worry the Culture Ministry, because rulings in favor of Walter based on legal technicalities could have a huge impact on the French art world.

CROSSWORD

4 Racetrack

6 Twangy

9 Scholarly

10 Eliza's 'enry

7 Ambulance

5 Confirmation

PEOPLE

Japanese Princess Asks The Press to Lay Off

Princess Nori, the youngest child of Emperor Akihito and Empress Michiko of Japan, turned 25 on Monday and criticized speculation by the tabloid press about her love life. Responding in writing to questions by Japanese reporters, Nori said speculation about prospective marriage partners could disrupt a number of lives and hinted that she felt no particular rush to get marned. "Before the crown prince decided to get engaged, the mass me-dia disrupted the lives of a number of people with their clamor, deeply hurting them in some cases," she said. "It is painful for me to see that this regrettable situation has happened again with regard to me."

Courtney Love, the wife of the rock star Kurt Cobain, denies that she overdosed on heroin in a Beverly Hills hotel, "It's not true. I wish I could go into it, but I've been advised not to say anything," Love told the Los Angeles Times in a brief interview from her Seattle home, where Cobain shot himself to death on April 5. Love was arrested April 7 and booked on suspicion of possessing heroin, drug paraphernalia and stolen property.

Wedding notes from all over: The French rocker Johnsy Hallyday and Adeline Blondism have exchanged wedding vows for a second time. Hallyday and Bloodiau were married in 1990 and divorced two years later. . . The singer, songwiter and pianist Harry Consick Jr. has married Jill Goodsere, a model and video director. . . The British actor Dudley Moore has married his longtime girlfriend, Nicole Roth-schild, less than a month after he was arrested on suspicion of "spou-sal abuse" after both he and Rothschild had called the police during an argument.

Sir John Gleigud will have a West End London theater named after him in honor of his 90th birthday. Gielgud is scheduled to switch on the lights at the theater (formerly the Globe) in October.

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INTERNATIONAL CLASSIFIED Appears on Page 8

43 Holiday nights

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